

Yeltsin Says Secession By Ukraine Would Be 'Serious Blow' to Union

FF 5550

AMERICAN TOPICS

Peace Not at Hand For UN Neighbors

The United Nations is dedicated to peace, but there is none for residents and office workers in the buildings next to UN headquarters in New York. Demonstrators come two or three times a week, in scores, hundreds or thousands, to shout and chant, Steven Lee Myers reports in *The New York Times*. "And chant and chant and chant."

There are any number of places to protest in New York, Mr. Myers notes, "but none rivals Dag Hammarskjöld Plaza and Ralph J. Bunche Park, its smaller counterpart four blocks south. They

are the city's speakers' corners. The soapboxes to the world." John F. McKean, spokesman for tenants of Tudor City next to Bunche Park, says, "A certain amount of this is unavoidable. Living across from the United Nations." But he recalls with a shudder the saffron-robed Buddhist monks who arrived and began beating drums and vowed not to stop until the world was at peace. They stopped sooner than that, Mr. McKean says, but a year and a half later he still recalls that beat: boom-boom-boom-boom, BOOOOM-BOOOOM-BOOOOM-BOOOOM. "A few hours of that will drive you up the wall," he said.

Short Takes

Storms this fall wrecked hundreds of dwellings along the Atlantic and Gulf coasts, including President George Bush's summer home in Kennebunkport, Maine.

Once again, Congress is considering an overhaul of the National Flood Insurance Program that would make it much more difficult for people who live at the water's edge to get government-backed insurance.

With some American Indians objecting to the use of Indian terms for sports teams, Robert A. Washington of Alexandria, Virginia, suggests in a letter to *The Washington Post* that such teams, both professional and collegiate, could pay royalties to the Indians. But instead of sending a few cents to each individual, they "could fund 10 or 20 scholarships each year."

Scientists seeking a way to protect the dwindling ozone layer suggest that several hundred large airplanes could spray 50,000 tons of ethane or propane gas into the Antarctic strato-

sphere each year. Science magazine reports. The hydrocarbons probably would neutralize the ozone-gobbling chlorine molecules that come from chlorofluorocarbons, or CFCs. The scientists concede that "there are many scientific, technical, legal and ethical questions to be faced."

Jan Schmelle, who answers questions about Thanksgiving turkeys on a Chicago poultry company's Butterball Turkey Talk-Line, said she had one call on Thursday from a man who complained that he was carving the bird but there was no breast meat, just skin and bone. "I told him, 'It sounds to me like you've got your turkey upside-down.' Then, he flipped it over and said, 'You're right, there's meat there.'"

Arthur Higbee

For Would-Be Americans, Roll of Dice

By Seth Mydans

New York Times Service

LOS ANGELES — Foreigners wanting to live in the United States inundated the government with nearly 19 million applications for 40,000 slots in an immigration lottery held last month, nearly four times the number expected, according to figures issued this week.

Now the applicants are being taken by surprise by a government decision to issue notifications to 50,000 people that they were winners and then let the first-round winners scramble for the 40,000 visas available.

Mike Brennan, a spokesman for the State Department, said the extra notifications were aimed at covering any possible dropouts and urged the recipients to hurry.

The first 40,000 who complete the required documentation win. "The 10,000 who do not make it will have to apply again next year," Mr. Brennan said.

"The race definitely is still on," said Eileen Madden, a 22-year-old applicant from Ireland who is among the first-round winners and who, like most applicants and even many immigration experts, was surprised to discover that the competition was not yet over.

"It's in the regulations, but I think people missed it," said Hope M. Frye, first vice president of the American Immigration Lawyers Association. "I think the average applicant is probably quite surprised to find this out."

The lottery was one of the stranger innovations in the 1990 immigration law, which allows for overall immigration of up to 700,000 people a year.

There have been two previous immigration lotteries, but this is the first to be written into law on a continuing basis and the first to attract such a large response.

The procedure is aimed at giving a boost to immigrants from 34 nations that have been underrepresented in recent years. A result of heavy lobbying by groups representing the 100,000 illegal immigrants from Ireland, the lottery includes a guarantee of at least 40 percent of the slots for the Irish.

But Irish applicants were swamped by other nationalities, and the search for Irish winners apparently slowed the processing of the results.

Some immigration lawyers question the legality of registering 50,000 applicants for the 40,000 places mandated by Congress. They also say it remains unclear how the 40 percent of Irish applicants admitted into the final leg of the race will translate into the 40 percent of winners called for by the law.

They call the lottery a national embarrassment at a time when Haitian refugees are being sent back to sea and Vietnamese are being denied asylum.

"I think there are real policy issues raised in how we are holding ourselves out to the world because of these visa lotteries," said Ms. Frye. "I wonder what kind of message we send to families who are waiting to reunite, to employers seeking to bring in skilled workers and to all kinds of other refugees to whom we are denying entry."

The State Department said this week that after opening 167,500 applications, the department had identified 30,000 non-Irish candi-

dates, and had had to search through an additional 225,750 applicants to reach its quota of 20,000 Irish.

Following Ireland were Poland with 12,060 slots, Japan with 6,413, Britain (including Northern Ireland) with 3,054, Indonesia with 2,947 and Argentina with 1,453.

These were followed by Germany with 657, France with 636, Italy with 469, Norway with 287 and Czechoslovakia with 261.

The department said the winners were selected from among the first of 9.3 million valid applications that were received between Oct. 14 and Oct. 20. In addition, it said, 7.5 million applications arrived in the mail before the starting date and 2 million were received after the statutory period ended.

The millions of losers, many of whom had paid high fees to retain immigration lawyers, will receive no response to their applications.

The first 12,000 successful applicants have already been notified in the order their applications were received and have a head start in the bureaucratic race. The remaining notifications are to be mailed out in December.

These first-round winners must now complete a biographical form, gather a set of required documents, assure that they have an offer of a steady job in the United States, pay \$25 and wait for an interview.

If, like a great many of the applicants, they have been working illegally in the United States after arriving on visitors' visas, they must apply for a special amnesty that is offered as part of the lottery.



THE TURKEY WAS OUT OF THIS WORLD — The crew of the space shuttle Atlantis celebrating Thanksgiving.

Shuttle Takes a Detour to Avoid Space Junk

HOUSTON — The National Aeronautics and Space Administration said Friday that it was a coincidence, not an overload of space litter, that a space shuttle was forced to dodge a piece of debris for the second time in two months.

Frederick Gregory, the commander of the space shuttle Atlantis, steered the craft out of the path of a spent Soviet rocket body on Thursday, about 10 hours before it would have passed too close to the shuttle for NASA's comfort.

Two months ago, a shuttle

crew had to veer out of the way of another piece of rocket junk. But Phil Engelhauf, NASA's flight director, said the two instances did not mean that space flight suddenly has become riskier.

"It's not like this was due to any increase in the amount of traffic," he said. "It was just sheer

coincidence that we've had two of them together." Although he sees no immediate increased risk, Mr. Engelhauf said the space agency was concerned about debris as it looks toward building the proposed space station. But the agency does not consider it an unmanageable problem, he said.

U.S. Running Out Of Flu Vaccine For the Winter

New York Times Service

NEW YORK — The United States is on the verge of running out of influenza vaccine just as the flu season is off to one of its earliest starts, distributors of the vaccine said.

Experts attributed the shortage to an unexpectedly heavy demand for flu shots that developed after U.S. health officials warned last month that the predominant flu virus this year would be unusually widespread and deadly.

Although some local health officials said they still had adequate stocks of flu vaccine, officials in several other cities said that they had run out or were scrambling to get an additional supply.

Some officials said they were rationing their stock, offering flu shots only to the elderly and people with heart and lung conditions and other chronic ailments who are most likely to suffer severe complications from the viral infection.

The nation's two largest distributors said they have run out of flu vaccine after the heaviest demand they have seen in many years.

"Everyone is wiped out," said Bob Bessie of Bessie Medical in Cincinnati, which called itself the second-largest distributor of the vaccine.



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Welcome To
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AIRLINES

Sweden Asks Balts to Explain Pardons for Nazis and Meetings of SS Veterans at Issue

By Stephen Kinzer

BONN — Sweden has stirred a diplomatic storm by asking the newly independent Baltic republics to explain pardons recently granted to Nazi SS soldiers and reported meetings of SS veterans.

Sweden's minister in charge of foreign aid, Alf Svensson, set off the debate last weekend with interviews in two Swedish newspapers. He asserted that the Lithuanian and Latvian governments were quietly annulling the convictions of SS men guilty of war crimes during World War II, and that groups of SS veterans had held meetings in four Estonian towns.

Mr. Svensson suggested that if the governments of Lithuania, Latvia and Estonia did not stem a trend toward tolerance of Nazism, their hopes for Swedish aid might be frustrated. Sweden is in the final stages of drafting a new aid program for the Baltic states.

Officials of all three Baltic governments responded sharply to Mr. Svensson's comments.

In a diplomatic note, Lithuania denied that any war criminals were among the thousands of Lithuanians whose convictions in pro-Soviet courts have recently been annulled. The note said that those being pardoned were victims of unjust Soviet trials.

The Latvian foreign minister, Janis Jurkans, said he knew of no meetings of SS veterans in his country, and asserted that his government had pardoned no war criminals. His Estonian counterpart, Lennart Meri, denied that there was a "neo-Nazi tendency" in the Baltic states.

Mr. Svensson was traveling in Africa on Friday, but another official, the deputy foreign minister, Alf Samuelsson, said by phone that the Swedish assertions were based on "truthful sources."

"We think we know what happened," Mr. Samuelsson said. "Even today, after investigations, we are receiving confirmation that these rumors are quite correct. Some SS members were rehabilitated, and some of them were war criminals."

Mr. Samuelsson said Sweden was hoping to resolve its concerns over developments in the Baltic states through "friendly discussions."

He said there had been no move yet to cut projected Swedish aid to the three Baltic governments, which he described as "quite a large program."

"In the Third World, it is the policy of our new government to consider progress toward democracy, human rights and such factors when we make decisions," Mr. Samuelsson said. "These kinds of topics are also required today in the Baltic states. We wanted to point out these acts, and we want the different governments to do something about it."

During the Nazi occupation of the Baltic region, many citizens collaborated with the German Army. When Soviet power was established in the region after the Nazi defeat, thousands were convicted of war crimes by Soviet-backed courts.

As Lithuania moved toward independence in 1989, courts began annulling many of these sentences. They did so on the ground that Soviet courts were inherently unjust.

Among those pardoned have been some Lithuanians identified by international organizations as responsible for murder and other crimes against Lithuanian Jews.

AFRICANS: Ground Rules Set

(Continued from page 1)

Movement refused invitations to attend Friday's preparatory meeting.

Instead, the Conservative Party and the Afrikaner Resistance Movement were reported to be holding their own secret meeting with other rightist groups to plan a common strategy to thwart President Frederik W. de Klerk's changes and the constitutional talks.

The Conservative Party was elated by the results Thursday night of an all-white by-election in the town of Virginia in the Orange Free State, where its candidate won over Mr. de Klerk's ruling white National Party. The Conservative candidate received 7,980 votes, or about 62 percent, compared with 4,814 for the Nationalist one, or roughly 37 percent.

The results, in a constituency earlier held by the National Party, prompted local press commentary that white support for Mr. de Klerk's program appeared to be slipping badly. According to some calculations, the Conservative Party could win about 50 percent of votes now in a general election.

The Conservative Party leader, Andries Treurnicht, said the results showed that Mr. de Klerk's National Party "no longer represents the white or any specific" or ethnic, nation and described the constitutional convention as "a recipe for conflict and a power struggle" between whites and blacks.

Stoffel van der Merwe, secretary-general of the National Party, ascribed the loss to the current unfavorable climate in the white community toward Mr. de Klerk's program that had yet to bear visible fruit. But he predicted it would not have much of an impact on the negotiating process.

The meeting Friday was held under the joint chairmanship of Justice Petrus J. Schabert, a white Afrikaner, and Justice Ismail Mohamed, an Indian, but not before the meeting dismissed an objection by the Pan-Africanist Congress to the two justices from the existing white-dominated judiciary presiding.



Cyril Ramaphosa, left, general secretary of the African National Congress, and Roelf Meyer, South African defense minister, registering Friday as political parties prepared for constitutional talks.

PARTY: 4 Pillars Tumble

(Continued from page 1)

leader, David Duke, in Louisiana's gubernatorial election this month showed that candidates can gain white support on the basis of racial appeals. But Mr. Duke's very presence has made using racially linked issues embarrassing to Mr. Bush, at least for the short term.

By breaking his pledge not to raise taxes last year, Mr. Bush alienated a large chunk of the electorate that once saw the Republicans as the only barrier between them and tax increases.

This is a serious loss, said Mr. Greenberg, because "the tax piece was so critical to Reagan's invasion of the Democrats' blue-collar base."

While Mr. Bush has to worry about taking blame for the budget deficit and sees the economy as improving eventually, House Republicans see potential disaster unless they can re-establish themselves as the tribunes of tax reduction, which they also see as key to economic growth.

Republicans "have to re-establish their credibility with the American people" on the tax issue, said Representative Richard K. Armitage, Republican of Texas.

Foreign policy issues do not mean what they used to in the days when the Soviet Union loomed as a powerful threat.

"We have had to adjust to all the psychological problems created by the end of the Cold War. The traditional enemy is gone," said Representative Thomas E. Petri, Republican of Wisconsin. "It leaves a disorienting void all around the world."

The basic problems that Mr. Bush confronts today all came into play during last fall's budget battles, when his popularity also dropped, to roughly its current levels. The president restored his popularity during the Gulf war.

But Mr. Greenberg and others argue that it now appears the war was to the Republicans in the 1990s what Watergate proved to be for the Democrats in the 1970s: A temporary advantage screening profound problems in the party's coalition.

No one in either party is writing off Mr. Bush on the basis of a dip in the polls, especially because he has proven exceptionally adept at making comebacks.

Edward J. Rollins, a Republican consultant who often has been critical of Mr. Bush, argues that the president remains the one figure in American politics who can transform the public agenda singlehandedly.

Still, Mr. Rollins, like many wary Republicans, worries about how robust the economic recovery will be — if it arrives. He fears that a modest recovery might not be enough to lift Mr. Bush from the doldrums.

Ralph Bellamy Is Dead, Actor Played Roosevelt

By Peter B. Flint

NEW YORK — Ralph Bellamy, 87, who portrayed amiable characters in about 100 films, but who attained recognition on Broadway as the stricken young Franklin D. Roosevelt struggling to walk in "Sunrise at Campobello," died Friday in Santa Monica, California, from lung illness.

Mr. Bellamy, a tall man with a craggy face and a resonant voice, performed on the Chautauque circuit, in tent shows, kinescopes, stock repertory, on Broadway, radio, in movies and television.

Mr. Bellamy gained stature on Broadway, as an anti-fascist professor in a "Tomorrow the World," as a lionized presidential aspirant in "State of the Union," as an overzealous police officer in "Detective Story," and as Roosevelt in "Sunrise at Campobello."

On television, Mr. Bellamy appeared on all the leading dramatic programs, beginning in the early 1950s in the medium's celebrated formative era.

He was born in Chicago. His father, Charles Rexford Bellamy, who headed his own advertising

agency, and his mother, the former Lilla Louise Smith, also had two younger children, Richard and Carolyn. Young Ralph delivered newspapers and groceries, jerked sodas at a drugstore and was an usher at a movie theater.

As a young actor learning his craft, Mr. Bellamy was indefatigable. Over nine years he played more than 400 roles — often two or three in the same play — in repertory and touring companies, including four years (1926 to 1930) as head of his own repertory troupe, the Ralph Bellamy Players, in Des Moines, Iowa, Nashville, Tennessee, and Evanston, Illinois.

The critic Walter Kerr — who as a student at Northwestern University had been a regular at the Evanston theater — praised Mr. Bellamy in 1979 as "the only performer who ever surprised us by altering character radically from play to play."

Mr. Bellamy made 83 movies from 1930 to 1942, including "Spitfire" (1934), "The Wedding Night" (1935), "Boy Meets Girl" (1938), "Dive Bomber" (1941) and "The Wolf Man" (1941). He also played the title role in four low-budget



Ralph Bellamy, who was 87, appeared in nearly 100 movies.

"Elery Queen" detective mysteries.

He left Hollywood at the height of a lucrative film career to face the risks of Broadway and proceeded to achieve a string of stage and television successes that he valued as far more varied and rewarding than his early films.

In later years, he also made occasional movies, playing a canny defense counsel in "The Court-Martial of Billy Mitchell" (1955) and a satanic doctor in "Rosemary's Baby" (1968).

MIDEAST: Shift by Shamir?

(Continued from page 1)

demands put forward by the Israeli government.

Israel has asked for a guarantee that future rounds of negotiations be held in the Middle East, and has also proposed that its bilateral talks with Arab delegations not occur on the same day or at the same place.

Officials in Israel said American officials might be ready to accept the suggestion about the order of meetings, which is significant to the Israeli government because it underlines the fact that Israel is carrying out separate talks with each Arab party, and not engaging in a conference or facing a united Arab front.

As the U.S.-Israeli negotiations proceeded, the Palestinian delegation announced that it was bringing to Washington proposals for self-rule by Arabs in the Israeli-occupied West Bank and Gaza Strip. Israeli radio quoted Haider Abdel-Shafi, the chairman of the Palestinian delegation, as saying the Palestinians also might agree to hold future talks in the Mideast.

Red Cross Delays Talks Over the Palestinians

New York Times Service

UNITED NATIONS, New York — The Red Cross has postponed a humanitarian conference scheduled for Friday in Budapest because the United States and Israel refuse to allow a Palestinian delegation to have observer status.

Every five years, the conference brings together representatives of the International Red Cross and Red Crescent and about 165 countries that are party to the Geneva convention of 1949. This year the United States and other countries have blocked the Palestinians' admission. Red Cross officials said they did not want to jeopardize the outcome of the conference over political disagreements and therefore would postpone it indefinitely or until an agreement can be reached.

CONQUES: Is the 20th Century Really Necessary?

(Continued from page 1)

of Europe arrived, more than it could comfortably handle.

According to Evelyn Durival, a member of the village council, Conques is getting a cultural center it does not need because Mr. Riou is an adept hand at obtaining subsidies from what she called "honey pots" in Rodex, the departmental capital, Paris and Brussels.

Although regional, national and European authorities provide the money, she said, they exercise inadequate control over how it is spent because checks and balances do not operate efficiently at the local level in France's system of decentralized government.

The project began as a school, which nobody denies the village needs. The transition to cultural center was well under way, with thousands of tons of concrete al-

ready poured, when the mayor got around to ordering a feasibility study, according to Mrs. Durival.

That study, earlier this year, challenged the need for the center. Hannah Green, a New York author who is just finishing a three-volume series about the history and legends

Critics say the project threatens to alter irretrievably the character of the medieval town.

of Saint Foy, the village's patron, said that the cultural center "is going to hurt it for tourism of the kind that matters, for people who go to stay awhile."

The one thing that mobilized villagers against the project was when the pure spring water that ran from their taps turned foul and muddy. The villagers blamed the excavations for the building's foundations, down to the hard rock beneath the village's walls. Father Michel pointed to water oozing out from a wall behind the church, which he said had never occurred before.

One condition imposed by the Ministry of Culture for building the center is that it should not be visible from across the valley. The center is being built on the hillside overlooking the village and actually touches the medieval wall. Villagers say that this will mean dismantling and raising the wall by a couple of meters.

Asked why the center had to be built against a medieval wall in one of the most depopulated areas of France, the mayor replied that the excavation had uncovered the wall. The catch is that when the building is completed, the wall will be covered up again.

The village already possesses an ancient pilgrim's hospice, which the mayor acquired in a plan to build a luxurious retirement home.

A proposal to sell the hospice to the local hotel fell through, and the building now stands empty.

Asked why the hospice could not be used to create a cultural center, Mr. Riou replied that it was not suitable because "it is 400 years old and conceived in such a way that you can only make little rooms."

In any case, he said, the EC would not have financed a conversion of the hospice. "We thought about it, but it would not have been feasible," he said.

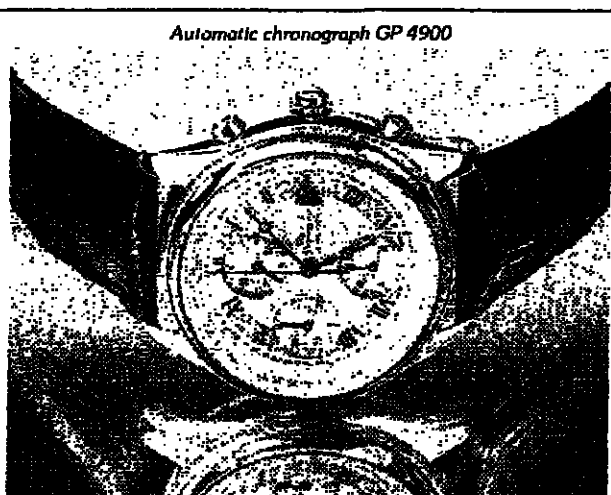
Many villagers are concerned that the cultural center may be a step toward further commercialization of their village. Where, for example, will visitors to the center stay? Is the next stage a complex of hotels and restaurants?

The trouble, according to Mr. Wessel, is that "the mayor wants to sell Conques at all costs."

He pointed to a large illuminated sign at the entrance to the village inciting visitors to buy the new "gourmet sensation" — "Les Conques de Conques" — a brand of chocolates sold as a specialty of the town.

Asked if there was anything at all regional about the chocolates, which are manufactured near Paris, the mayor replied, "Honestly, no." He said the candies were a form of publicity for the village and a way of providing souvenirs for visitors.

Did the sale of the chocolates bring any material benefit to Conques? "No," he said. "We lose on it."



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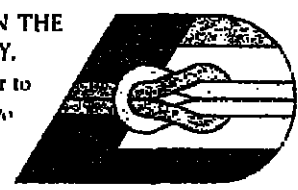
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Chang: Artistic Con Man for Connoisseurs

An untitled 1922 collage is part of a Max Ernst retrospective at the Centre Georges Pompidou for the centennial of the artist's birth. The exhibition, which runs to Jan. 27, includes more than 250 of Ernst's works in chronological order.

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Prosperous Times In Spanish Art Market

Auctioneer Edmund Peel Is at Center

International Herald Tribune

THE setting is the art market, but the script could be signed Graham Greene. Edmund Peel, 43, born in Wuppertal, Germany, educated in England, married to a Spanish wife, Alicia, is at center stage.

The blue-eyed Briton with wavy blonde hair, the athletic build of an SAS trainee toned down by the merest tendency to portliness, and a Pickwickian smile that muffles a subtly determined determination, is the presi-

SOURIN MELIKIAN

dent of the *consejo de administración* of Edmund Peel & Asociados, "Spain's leading fine arts auctioneers," to quote his press releases. This is no hollow claim. Last month, in one of those short sales that he favors, he sold 10 out of the 14 Old Masters that were on offer, for a total of 295 million pesetas (\$2.86 million). In the process, he set a world record for the 18th-century Spanish artist Luis Meléndez, when a pair of still lifes was sold for 179.2 million pesetas. The Prado, substituting itself for the highest bidder, acquired the only still life with fruit instead of flowers signed by the great 17th-century painter Juan de Avelino for 3.92 million pesetas and a watercolor study of a zebra by Luis Parey y Alcazar for 6.9 million pesetas.

Altogether a satisfactory day for all concerned in a typical Peel performance delivered as always, in Spanish. It speaks as much for Peel's ability to adjust and fit in as it does for the little-known vigor and autonomy of the Spanish market.

It was Edmund's father, Eric Peel, who took the family to Spain in 1958, having decided after the Jakob Goldschmidt sale of French Impressionists at Sotheby's that prices were reaching a level beyond his grasp. It was time to look for new venues such as, perhaps, Spanish Impressionists. The adventurous move was in line with an earlier career in which every twist seemed more unpredictable than the previous one. In the early '20s, Eric Peel ran the Calor gas concession in California. By the 1930s, he was growing coffee in El Salvador. On



the eve of World War II, he was a professional bridge player in his capacity of secretary of the Hamilton Bridge Club in London, after an earthquake had engulfed his El Salvador plantation and coffee mill. And World War II? The intelligence service, of course, where, Edmund Peel says, his father worked on an invasion of the Canary Islands after the meeting of Franco and Hitler.

ERIC Peel's bunch turned out to be the right one. By the early 1960s he found himself buying the works of Daniel Vázquez Díaz, Benjamin Palencia, Joaquín Sorolla and others and selling them in England through his Broadway Art Gallery in Broadway, Worcester-shire. This was Edmund Peel's initiation, including the one-man show his father gave in 1965 to Sorolla, for whom the son's passion equals the father's.

Edmund Peel left school that year, went to Madrid University to

take a one-year course in Spanish language and culture and to Switzerland where a six-month stint did a lot of good to his skiing style if not to his French, as initially intended. There was a year in Morocco, spent chasing an Art Deco fountain in Marrakech — he missed it by a hair's breadth — and discovering 20th-century Moroccan painting. Father and son organized an exhibition of Taleb Lahlon's work at the art foundation they had persuaded the buyer of the Art Deco fountain to set up. Back in Madrid in 1966, Edmund, a now mature 18, started running the Spanish end of his father's business.

When Eric Peel had a heart attack in 1968, Edmund, offered the option of taking over altogether, chose instead to set up as a private dealer. The Spanish boom was on, art prices soared, young Peel made a pile. "Essentially I bought back what my father had sold 15 years earlier in England and took it to

Spain. It was a curious time. A lot of Spaniards pride themselves at being clever at business. The fact that I was so young was a tremendous asset." He remembers with gratitude the relationship he struck up with a major collector, the Count Ybarra, who collected 20th-century artists — Sorolla, Isidro Nonell, Ramón Casas.

The imaginative Edmund Peel also traveled to Paris, looking for Spanish artists of the Ecole de Paris, from the Cubist period works of María Blanchard to the Surrealist phase of Oscar Domínguez. The boom petered out in 1972, but Peel pounced on every opportunity.

WHEN American museums started de-accessioning Sorolla and a variety of 20th-century Spanish artists between 1972 and 1978, he made a killing. He still relishes the memory of "a major José Gutiérrez Solana," showing a bullfighter and his assistant, bought in 1975 and sold to a Barcelona collector.

Peel had his first taste of the auction business when a group of Spanish businessmen set up a would-be auction house, Saska. He introduced them to Peregrine Pollen of Sotheby's. Saska-Sotheby's came into existence with Peel running the Impressionist and Modern Painting, but it didn't work and

Peel got out — Spain wasn't ready for Anglo-Saxon style auctions yet. Contacts were resumed with Sotheby's in 1978. A large collection was up for sale — too large for Peel. He turned to Sotheby's. The deal did not come off. In February 1979, it was Sotheby's turn to approach Peel.

It was organizing a house sale, including Old Masters, for the Princes of Hohenlohe at Quezital, a former monastery on the grounds of the Escorial owned by the German aristocratic family. Would Peel help? He would. Sotheby's set up a Spanish subsidiary of which Peel was made the managing director. At the request of the director of Sotheby's Old Masters department, he briefed all the departmental directors while his English-educated wife, Alicia, supervised a team of translators. The sale, conducted by Peel, was a huge success. But, immediately after, things went wrong. A revised luxury tax, set at 22 percent on the hammer price, dried up the flow of art consignments. The market went underground until the tax was reduced in 1985 and scrapped the next year. A tax amnesty included in the 1985 national heritage makeover allowed previously undeclared works of art to be auctioned free of capital-gains tax.

The boost to auctions was fantastic. In 1985, Peel, twice set a

world record for Goya. The second one, established by "Three Witches," which was not allowed to leave Spain and nevertheless soared to 79.4 million pesetas, underlined the vigor of the national market. It all peaked a year later, in December 1986, with the sale of 42 works by Joan Miró consigned by his widow, who wanted them to be auctioned in Spain, not London or New York. All were sold for an aggregate 571 million pesetas.

Then things turned sour. The amnesty was over in July 1986. Only those intending to sell immediately had availed themselves of the opportunity. If they sold now, pictures could be taxed up to 56 percent of the full value. Sotheby's turnover dropped by two thirds in 1987, and it saw little point in keeping up auctions. Peel, it was suggested, could be Sotheby's representative. He countered this by

offering to buy the company. In March 1989, "Edmund Peel & Asociados" came into existence, with Peel owning 80 percent of the shares and the rest held by a board set up in 1985, at his suggestion. For Peel, the timing was perfect.

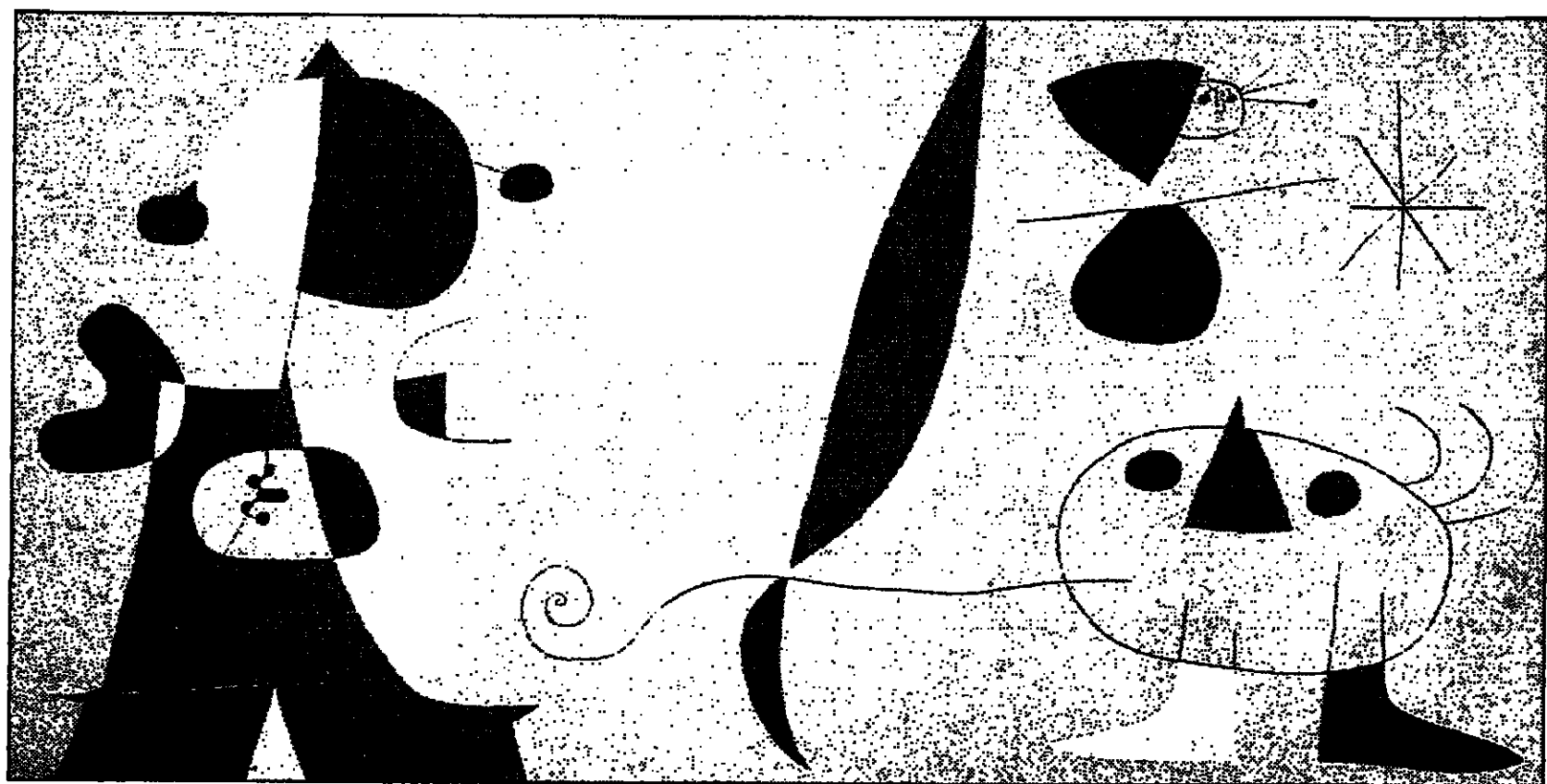
The newly affluent class — financiers, manufacturers — was coming in on a big scale for Spanish art of the 20th century. Within three months of its existence, on June 7, 1989, Edmund Peel & Asociados held a \$6.9 million auction, with Miró's "Mural Painting for Joaquín Gomis," dated 1948, soaring to a record 385.6 million pesetas, about \$3 million at that time. The score reverberated around the world among art professionals. Spain was the place to sell. Consignments from abroad stepped up.

Another record, for Juan Gris, was set in March 1990 at 401 million pesetas with "Le Violon," his

last Cubist collage dated "30-10-14." Elsewhere, the market was a shambles. At last, the crisis caught up with Peel in June, when a brilliant Gris fell without a fight. It was back to Old Masters again. Sales went up and down — the Feb. 28, 1991, auction was not bad, June 18 was a disaster. Now the market is back on its feet.

The latest news is that the 20th-century market is recovering fast. On Thursday, in Peel's usual fall auction, two thirds of the 41 works sold. Antoni Tàpies's 1918 "Homenaje a César Vallejo" was bought in and negotiated Friday at 4.25 million pesetas.

"Interestingly there was more bidding from abroad by telephone than previously in this type of sale," Peel says. As in other fields, Spain has moved closer to the international scene.



Edmund Peel, the head of Edmund Peel & Asociados of Spain; Joan Miró's "Mural Painting for Joaquín Gomis," dated 1948.

morabilia?

Walker Evans, Searching Out Subway Truths

By Henry Allen
Washington Post Service

WASHINGTON — The Walker Evans aesthetic of truth, rather than taste or even style, has gone on display in a show called "Walker Evans: Subway Photographs and Other Recent Acquisitions" in the East Building of the National Gallery of Art, through March 1.

In 1938, after a one-man show at the Museum of Modern Art, Evans had a 35mm Leica under his coat and went down into the New York City subway system. He sat on one side of the car, and with a shutter-trip in his sleeve, he photographed the people sitting on the other side. "It was a heaven-sent eubenerance — I see — that sent me down among the torn gum wrappers into the feld, clattering, squealing cars under-

ground," he wrote in text quoted in the catalogue. "It was a driving innocence to want to record the people in the subway. The subway! Yes," said Henry James. "Yes," roared Walt Whitman somewhere. . . . The guard is down and the mask is off: even more than when in lone bedrooms (where there are mirrors). People's faces are in naked repose down in the subway."

He made perhaps 80 or 100 pictures on the subway between 1938 and 1941 and 33 of them are on view here, along with 33 other pictures made between the late 1920s and the late '60s.

They are ordinary faces — businessmen, grandmas, children, laborers, a Down's syndrome child, anybody, everybody, all of them unredeemed by context, pose, concept, framing or ironies of juxtaposition. There are no dreams or dreads on their faces, just the irreducible and thoughtless there-ness

of faces gone slack in the transit limbo of a subway car.

"Stare," Evans wrote once. "It is the way to educate your eye, and more. Stare, pry, listen, eavesdrop. Die knowing something. You are not here long."

He was a figure from the Age of Experience — he lived from 1903 to 1975 — when young people went off in search of real life, when 10,000 college boys shipped out on freighters, along with and acquired the sort of resumes that used to appear on dust jackets of first novels.

ONE of the small but essential experiences of real life was riding the New York City subway — this being back before it went crazy, before maybe all real life in America went crazy.

There was a dead, electric, stale-candy-ozone-armpit-cigarette smell to it, a smell that came at you

in a dirty clout of wind right before the train came into the station.

Then open the doors and see all the people as Evans saw them, not so much the lowest common denominator as the only common denominator: a sly, fat, curious, knowing woman wearing a hat with a feather in it and sitting next to a wary working stiff wearing a leather jacket and a fedora with the brim turned up in front; a woman with tangled eyebrows, a handsome, innocent-looking somebody else's newspaper over the head of a little girl while the subway rackets along, the "swaying sweatbox," as Evans called it.

Other photographers took pictures of ordinary people. August Sander set out to define the German nation, for instance, but his subjects exist in the ironic tension of the whole idea of his project. Diane Arbus gave us a glaring truth, but it was the truth of her

sensibility, of her solipsistic saint-hood-through-art. In the subway, Evans was going for something deeper and simpler.

What he found is so stark that your eye races around the picture grasping at whatever composition and order it can find: a triangle of dark shirt next to a triangle of white shirt, a rhythmic background of light bulbs, compositional quarterings and diagonals.

The show makes you wonder: Were Americans different then? Something is different. Is it the hat? Or is it the cultural dysplasia of those unassimilated immigrant faces? Or is it a kind of tone to the faces, back before self-consciousness became a way of life, before people worried more about what they did than who they were?

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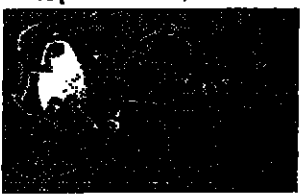
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OSCAR DOMÍNGUEZ, (1916 - 1988)
"Combos de gladiadores" 1947
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signed bottom right 60x92 cm.
Reproduced in the catalogue raisonné
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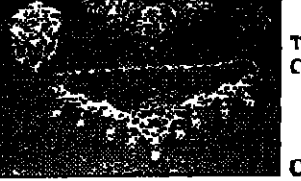
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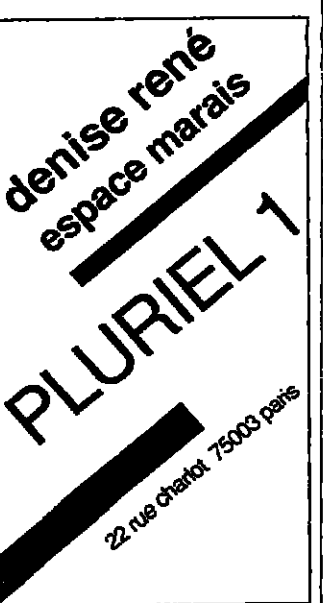
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Herald Tribune

Published With The New York Times and The Washington Post

Bush Blunders on Taxes

Hardly a Sensible Cure

Desperate. Inept. Unpresidential. Pick your own adjective for President George Bush's 24-hour turnaround on tax cuts. Last week he said he would wait until next year's State of the Union address to outline a tax cut plan that would spur the sagging economy. Monday night he gave lukewarm endorsement to tax cuts proposed by Representative Newt Gingrich, the House Republican whip. By Tuesday night, however, he had become wholehearted. Bush called on Congress to pass, hours before it was scheduled to adjourn, a tax cut bill not even written yet.

Mr. Bush's leap to legislative madness invites suspicion that his calculations were driven by politics, not economics. The tax cuts he lauds will not stimulate instant spending but would bury the economy under mountains of future debt. Indeed, the president would be hard pressed to draw up a siltier plan to fight the recession.

Tax cuts are a crude way to fight recession. The impact is uncertain, timing devilishly difficult. By the time Congress recognizes a problem, passes legislation and the policy has time to affect the economy, six months to a year goes by and recovery has already begun. Then fiscal stimulus can exacerbate inflationary pressures. According to many economists, the time for action was a year ago when the recession was beginning, not now when it is probably ending.

Despite these reservations, a cautious case can be made for delivering a quick,

careful shot of fiscal adrenaline. The economy has been limping along between recession and imperceptible growth. And consumer spending took a chilling nose dive last month, dragged down by the weakest level of consumer confidence in a decade.

But the Gingrich plan is not what the economic doctor would order. It would reinstate, permanently, tax subsidies for retirement accounts of upper-income families and cut taxes on other types of savings. This would result in lower consumer spending—the opposite of sane economic policy. And because the cuts would be permanent, they would drive up future deficits, threatening long-term private investment and growth.

A cut in capital gains taxes is equally foolish. Experts can reasonably debate whether the proposal would raise investment spending over time. But only zealots would argue that it could ignite spending when it is needed—right now.

Should Congress enlarge the deficit, temporarily, to fight recession? It is a serious question. If Congress decides yes, it could adopt ideas from Robert Solow, the Nobel laureate from the Massachusetts Institute of Technology, and Francis Bator of Harvard. They propose temporary across-the-board tax cuts and targeted spending hikes that would stimulate the economy quickly, and then self-liquidate.

If Congress finally decides that tax cuts are needed, these ideas constitute a careful, targeted response. President Bush's sudden gesture is a blunder.

—THE NEW YORK TIMES

Opening for Democrats

President George Bush has once again been panicked by the doctrinaire right wing of his party into making a false move on the economy that he is likely to regret. He has acted in such a way as to quicken a bidding war with the Democrats on tax cuts that a month ago he had sensibly decided to defer.

President Bush was victimized on the issue by a group of House Republicans led by Newt Gingrich of Georgia. They have all played the parts before. The short-pants types in the back seat squabble, the driver turns to shut them up, the car goes off the road. To inoculate themselves against a weak economy in an election year, the disaffected House members proposed a "growth package" of trickle-down tax cuts and demanded a kind of loyalty oath: Did the president want a Congress packing for home to pass it or not?

Well, yes, in principle, he had his spokesman reply, but that was not enough, and finally the president felt compelled to say that yes, of course, he supported the package, and no matter that it was still in little more than conceptual form: A Democratic Congress that cared would enact it that very day. That in turn finally provoked the Democrats, whose leaders announced that instead of shutting down until next year the Ways and Means Committee would open hearings on a tax bill next month.

The Gingrich-Bush proposal is a familiar wish list. It includes a capital gains tax cut,

partial restoration of real-estate tax shelters, and liberalization of rules on individual retirement accounts. Democrats quickly produced estimates by the Joint Tax Committee to show that the package would add to the deficit and mostly help the rich.

Republican true believers will tell you that these revenue estimates are blind and wrong, that the growth package will so stimulate the economy that the Treasury will not feel a thing. But these are the same folks who said that the Reagan tax cuts would not increase the deficit in 1981, either—and that was \$3 trillion in debt ago.

The tax issue used to favor Republicans. Now Democrats have the upper hand, if they do not overplay it. Any bill they produce should be genuinely balanced; the third-of-a-trillion-dollar deficit expected next year is stimulus enough for an economy. Nor should the bill breach the budget agreement by using defense cuts to finance tax cuts; the defense money ought to be left in the public sector to finance domestic needs.

The bill should be mainly redistributive rather than stimulative; several good proposals have been made. All involve higher effective tax rates at the top to finance cuts below to compensate for the progressivity lost in the 1980s and give a cushion and a little extra purchasing power to middle-class and lower-income families left behind in that era's expansion. Democrats who were mad at Mr. Gingrich the other day should line up to thank him.

—THE WASHINGTON POST

Congress: Halfway Where?

The Congress, in the session just mercifully ended, operated under unusual constraints, and its greatest accomplishment was unglamorous and negative. Despite the explosive mix of a soft U.S. economy and the approach of a presidential election year, the Bush administration and Congress both largely abided by last year's budget agreement. In time, the agreement will work to reduce the deficit. Until the bills from the 1980s are paid, no administration or Congress is going to be able to distinguish itself.

The rest of the year was a mixed bag. Partly because its banking committees continue to be weak, Congress failed spectacularly to restructure the banking industry and allow it to modernize. The billions that had to be loaned to the depleted bank insurance fund would have been at much less risk if accompanied by reform. In part for lack of interest by the president, the Senate also failed to pass even a palliative energy bill; an undisputed country will continue to waste a finite resource.

In two major areas, Congress was able to overcome administration resistance and force the president to act. A civil rights compromise was reached after moderate Republicans in the Senate threatened the president with desertion if he cast a second veto. The bill was more modest than either side made it out to be; the compromise should have been reached long before.

Mr. Bush was also finally forced to agree to a bill extending unemployment benefits after trying to argue that the recession was not deep enough to warrant the step. But in

turn he rightly made the Democrats pay for the benefits; they had wanted to add them to the deficit. A highway bill was passed in part on grounds that it would give the economy needed stimulus. The bill is not as expansive as it was made to seem; the price tag covers six years. Its most important contributions will be a shift of funds toward mass transit and a shift of discretion toward the states. The crime bill was stalled, which both parties profess to lament but we do not; it is the usual terrible posturing bill that on balance the United States would be better off without.

Otherwise, the record of this Congress remains in abeyance with a second session still to go. Both houses have passed campaign finance reform bills; it is not clear what kind of bill may be sent to the president. Committees in both houses have reported out major expansions of aid to higher education, which could be the most important social legislation of the Congress, but again the final contours are unclear, as well as how the expansion would be paid for. The Democrats also would like to liberalize the food stamp program, but how to afford this?

Then of course there is Topic A, a tax cut, and Topics B and C, what to do about the military budget as the threat from the Soviet Union continues to recede, and whether the budget agreement or a successor will continue to survive. It is always true at the halfway point: More issues have been tied up in this after trying to argue that the recession was not deep enough to warrant the step. But in

turn he rightly made the Democrats pay for the benefits; they had wanted to add them to the deficit. A highway bill was passed in part on grounds that it would give the economy needed stimulus. The bill is not as expansive as it was made to seem; the price tag covers six years. Its most important contributions will be a shift of funds toward mass transit and a shift of discretion toward the states. The crime bill was stalled, which both parties profess to lament but we do not; it is the usual terrible posturing bill that on balance the United States would be better off without.

—THE WASHINGTON POST

Other Comment

The Danger From Serbia

One day Serbia's destructive war against Croatia will end, perhaps when Croatia has been killed. But what then? The next task would be to get the Serbian army out of Croatia. If it is allowed to remain where it has gone with tanks and cannon, its aggression will have been rewarded.

Western governments, and not only the German government, have assured the

world that this must not be allowed. Without a withdrawal there cannot even be a durable truce. The Croatian nation will not allow half its territory to be stolen.

With a withdrawal of the Serbian armed forces much will have been achieved, but not everything that is necessary, by far. As long as Serbia has an army capable of offensive actions, the other republics of the dissolved Yugoslavia are in mortal danger.

—Frankfurter Allgemeine Zeitung

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The West's Choice: Soviet Chaos or a New Marshall Plan

By Charles Krauthammer

WASHINGTON—It is possible that Boris Yeltsin and Co. will muddle through this winter without food riots. It is even possible that they will muddle through the lethal inflation and unemployment that will come with next year's market reform. It is possible, in other words, that the single most important event of this half-century, the end of Moscow's threat to the democratic West, will not be overturned, and that things in the former Soviet Union will work themselves out.

That is possible. Now let us consider what is probable. The former Soviet Union is suffering an economic collapse unimaginable to Westerners. The United States has experienced a 0.6 percent drop in gross national product in the last year—and the country is demoralized. In the worst year of the Depression the American economy contracted 8 percent. The Soviet economy, in comparison, has fallen 10 to 25 percent this year and shows no sign of bottoming out.

If there are food riots in Russia, warns the chairman of the Senate Intelligence Committee, David Boren, there is a real danger that the army will not protect the government. That means the government falls and Mikhail Gorbachev, Boris Yeltsin and the democratic forces must have inherited the Soviet state as swept away.

What happens then? In Russia's presidential election last June—before the collapse of the Soviet center, before the loss of the empire, before the prospect of civil war—Vladimir Zhirinovskiy came in third with 6 million votes. Mr. Zhirinovskiy is a fascist. His solution to the food shortage is to invade East Germany. He pledges to recapture the Baltics, take over Poland and in partial restore the borders of Greater Russia. If he comes to power, he threatens, as leader of all the Russians, to make war with the Ukraine and Kazakhstan, secession-minded republics with sizable Russian minorities.

Sound familiar? Germany, 1933, was also a great power that had lost a war and an empire and suffered hyperinflation and economic collapse. Hitler claimed to be leader of all the

Germans. In their name he ravaged Europe.

Mr. Zhirinovskiy has been dismissed as a clown. So was Hitler. Moreover, there are less-clovnish fascists lined up behind Mr. Zhirinovskiy ready to mobilize the unemployed former Communists, the disaffected military and the KGB, as well as the other parts of the old totalitarian apparatus that are alive and well and thirsting for a comeback.

"Power is lying in the street waiting to be picked up," said Lenin in April 1917. Six months later, Lenin picked it up. Today power is again lying in the street. The democrats are again trying to hold power after a liberating revolution. Bolsheviks and their successors are again waiting to pick up the pieces.



A Pragmatic Stance by the Russians, a Promising Shift by Bush

By Jim Hoagland

WASHINGTON—When President George Bush was shown on American television Tuesday endorsing tax cuts, viewers got a glimpse of a foreign diplomat wreathed in an awkward smile at the president's side. He went unidentified by most network announcers, but he was about to initiate perhaps the most important conversation Mr. Bush had in a busy week.

The mystery man was Andrei Kozyrev, Boris Yeltsin's top-spoken but effective foreign minister. He was in Washington to tell President Bush how the Russian government will respond to the accelerating breakup of the Soviet Union.

Faced with a likely strong vote for independence in the Ukraine, Mr. Yeltsin's Russian government had decided to accept that outcome calmly. Mr. Kozyrev indicated to Mr. Bush that Russia will not fight Western recognition of an independent Ukraine that gives commitments to protect the significant Russian minority living on Ukrainian soil.

An authoritative description of Mr. Yeltsin's attitude on the Ukraine has been awaited in Western capitals as an important signpost in the diplomatic maneuvering created by the breakup of the Soviet Union. The Ukrainian situation has provoked differences in the Atlantic Alliance.

Canada and a few other nations favor quick recognition of the Ukraine, as they reportedly argued during a special ambassadorial-level meeting of the North Atlantic Treaty Organization on Wednesday in Brussels.

The thrust of Mr. Kozyrev's message to Mr. Bush, as the Russian described it later, was that it is vital that the West help in shaping the conditions under which "newly born republics" will now quit "the former Soviet Union." The time has passed for policies designed to hold together a center that will not hold.

Visitors to the White House say that this message is now heard by an

administration that once strongly resisted acknowledging how far the drive for independence in the other republics had progressed.

White House officials told reporters after Mr. Bush saw Mr. Kozyrev that the United States will recognize the Ukraine in an expeditious manner.

"There is an adjustment to reality going on," said a foreign official who tracks U.S. policy. "With the Baltics, it didn't matter if U.S. recognition came six hours or six weeks after the declaration of independence. With a state that has strategic nuclear missiles on its soil, it does matter what the West says and does."

Mr. Kozyrev, 40, who joined Mr. Yeltsin's team last year, emphasized that Russia would press an independent Ukraine to accept the human rights principles and the monitoring of pan-European organizations like the Conference on Security and Cooperation in Europe. This could help

protect Russians, who form 22 percent of the Ukraine's population, and other minorities.

In the response to the Ukrainian referendum, Mr. Kozyrev shows a new assertiveness of Russian diplomacy that has emerged since the failed August coup thrust real power into Mr. Yeltsin's hands.

Mr. Kozyrev placed heavy emphasis, in a talk we had, on Russia's determination to take control of bilateral relations with other countries away from the Kremlin. He pointed to Mr. Yeltsin's recent visit to Germany "which was in every sense a summit" as the model for the future.

The Soviet president, Mikhail Gorbachev, and his newly reappointed foreign minister, Eduard Shevardnadze, would deal primarily with the United Nations and other international organizations in the future. Mr. Kozyrev pointedly contrasted Mr. Yeltsin's determination "to go with the destruction of the remnants of the old system" to the willingness

Pearl Harbor: To Track the Japanese Strategy, Follow the Oil Trail

By Daniel Yergin

CAMBRIDGE, Massachusetts—Americans will always consider the Japanese attack on Pearl Harbor on Dec. 7, 1941, as the ultimate act of international treachery. A blow delivered without warning. But the prevailing Japanese view has always explained the attack in quite different terms, portraying it as a predictable response to American actions that left Japan mortally vulnerable and with no alternative but to strike.

In the Japanese view, these U.S. actions centered on oil. Oil was a major factor in World War II, a precious resource that shaped everything from global strategy to theater military operations to tactical maneuvering at the battlefield level.

A recently discovered diary from one of Emperor Hirohito's aides makes clear how the Japanese have viewed oil's importance in the Pacific war. It quotes the late emperor as saying, after World War II, that Japan went to war with the United States because of oil—and lost the war because of oil.

The war resulted from the drive by Japanese militarists to establish an empire in the Far East, beginning with the absorption of Manchuria in 1931

and moving into high gear with Japan's war against China in 1937.

The Japanese military was obsessed with oil. Its strategy and strategy the lessons of World War I, in which oil and the internal combustion engine proved of decisive importance.

The Japanese military machine was almost entirely dependent upon imported oil—and that meant the United States, which supplied about 80 percent of Japan's supplies in those days. (Much of the rest came from the Dutch East Indies, now Indonesia.)

As Japan pursued its war against China, the Roosevelt administration, pushed by public outcry, embargoed the export to Japan of various goods of military value, beginning with a "moral embargo" against the sale of airplanes and engines, then an actual prohibition against the export of iron and scrap metal and aviation gasoline of 87 octane and higher. However, Japanese planes could operate at lower octanes, and in fact Japan stepped up imports of U.S. oil.

Some Japanese leaders became convinced that war with America was inevitable. The Japanese Navy began

link in what they claimed was "encirclement" by hostile powers. In fact, they had achieved their own self-fulfilling prophecy: Although it is not remembered as such by most Japanese, the embargo was brought on by four years of Japanese military aggression in Asia.

Once the oil-supply line was cut, time began running out for Tokyo. Without new sources, it had no more than an estimated two-year supply stockpiled at home. By early autumn of 1941, the fateful decision was made to launch all-out Asian conquest, with East Indies oil the most important target. "If there were no supply of oil," one admiral said, "battleships and any other warships would be nothing more than sea monsters."

The briefing materials for the Sept. 5-6, 1941, meetings at which the military sought the emperor's permission to attack, put the matter this way: "At present, oil is the weak point of our empire's national strength and fighting power... As time passes, our capacity to carry on war will decline, and our empire will become powerless militarily."

The attack on Pearl Harbor was intended to wreck the U.S. fleet and protect Japan's oil supply by launching its huge Dec. 7-8 assault throughout Asia—from Hong Kong and Singapore to Thailand and the Philippines.

Both objectives were achieved, and soon Japanese tankers were again transporting petroleum home from the East Indies. But in its third major aim—to

ECONOMIC SCENE

Soviet Republics Find West's Largesse Limited

By Peter Passell
New York Times Service

NEW YORK — Can anyone spare a dime? The leaders of the Soviet republics, who were hoping for a coin or three in return for assuming the Soviet Union's debts, were left empty-handed last week. While the West agreed to a delay in repayment of the principal through 1992, the deal offered no money to slow the republics' perilous financial decline.

Indeed, the negotiation in Moscow with the United States and its major economic allies may have added to the republics' economic woes by highlighting both the division of interests between the Russian Federation and the Ukraine, and Washington's indecision on aid.

By conventional yardsticks the Soviet foreign debt is quite modest. Official Russian estimates put hard-currency debts to governments, banks and private businesses in the range of \$80 billion.

Planocon, a Washington consulting firm specializing in East European economies, pegs the net debt — Soviet obligations less sums owed to Moscow — at about half that figure. But even the higher official number, Darryl McLeod, an economist at Fordham University, points out, "would be the envy of most developing countries."

The \$80 billion represents 1.5 times current annual Soviet export earnings — and just 7 percent of the Soviet gross national product. Mexico, by contrast, owes 2.5 times as much as it earned from exports in 1990. Even South Korea owes foreigners the equivalent of 17 percent of its GNP, which is an economy's total output of goods and services.

The catch, of course, is that the Mexican and Korean economies are stable and growing, while leaders doubt both the capacity and the will of the former Soviet republics to service a foreign debt. While Soviet hard currency earnings will actually be higher this year than last because former East Bloc trading partners are now required to pay their bills in dollars, signs of the rapid deterioration in Soviet creditworthiness are still plain.

SOVIET GOLD reserves, the former union's rainy day fund, now stand at 240 tons — hardly enough to cover a month's worth of imports. The production of oil, which along with natural gas and weapons is the Soviets' most reliable source of hard-currency revenues, has fallen by one-sixth since 1987.

And while David Johnson, an economist at Planocon, notes that the decline largely reflects poor physical management of the oil reserves, production problems are rapidly being compounded by organizational chaos.

What's more, the pressure to spend foreign-exchange earnings on imports rather than interest payments grows as domestic deliveries of consumer goods falter. Morgan Guaranty estimates that Soviet factories idled for want of parts and supplies will manufacture 15 percent less this year than last.

The 1991 harvest was also smaller than expected because farms were short of everything from tractor fuel to fertilizer. It is thus no surprise that private foreign lenders are scrambling to reduce their exposure, canceling short-term credits that had previously been renewed routinely. Even before the August coup attempt, Susanne Gehler of Morgan Guaranty in London predicted that Soviet short-term debts to Western banks and suppliers would be reduced by \$5 billion this year.

And with the cupboard otherwise bare — hard currency reserves are reportedly down to a few billion dollars — it was obvious that the republics would be forced to default on billions in longer-term debts scheduled to be repaid next year.

What was not obvious, argues Jeffrey Sachs, an economist at Harvard University and consultant to the Russian government, is that the response to the impending debt crisis from the United

See REPUBLICS, Page 11

Japan To Probe Dumping

Charges Target Alloy From China, Norway, S. Africa

Compiled by Our Staff From Dispatches
TOKYO — Japan began an investigation Friday into alleged dumping of a steel alloy by China, Norway and South Africa, in the first such action here over imported goods, government officials announced.

Officials of the Finance Ministry and the Ministry of International Trade and Industry said the probe into the import prices of the alloy, ferro-silicon-manganese, began after complaints from the Japanese industry.

The Japan Ferroalloy Association filed complaints with the two ministries on Oct. 8, saying the low prices caused serious damage to domestic business, the officials said.

The companies that filed the complaints said China had sold the alloy at more than 70 percent below Japanese domestic prices, Norway at about 55 percent lower, and South Africa at nearly 70 percent lower, in 1989 and 1990, the officials said.

As a result, the three nations' market share in Japan increased to 42 percent in 1990, from 30.8 percent in 1989, the officials quoted the Ferroalloy Association as saying.

They said that the dumping practice pushed down ferro-silicon-manganese prices in Japan to such a level that the major domestic makers, including Kobe Steel Ltd. and Nippon Denko Co. lost sales and profits.

There are four Japanese makers of the alloy in all.

The charge regarding alloy dumping was the fourth such petition to be made in Japan, but it was the first one to have been investigated.

The government has one year to decide if the charges are accurate and what kind of duty to levy, but it has the right to announce a decision within six months, a Ministry of Trade and Industry official said.

Several Japanese companies have been found to have dumped products below fair market value, ranging from compact disc players to minivans in the United States and Europe. (APR, UPI)

Nestlé Launches 1 Billion FF Bid For Rest of Vittel

PARIS — Nestlé AG, the Swiss food group, on Friday launched a bid to solidify its grip on the French mineral water company Vittel, in the latest shake-up of the French water industry.

Nestlé's bid, valued at about 1 billion francs (\$180 million), came a day after the Agnelli family of Italy offered to buy control of Exor SA, a French holding company that controls Source Perrier SA, the bottled-water company, and Chateau Margaux, the elite Bordeaux wine. The Agnelli family controls the Fiat SA automobile group.

Nestlé offered to buy the 47.5 percent stake in Vittel that it did not already own, the French stock exchanges association said in a statement. Source Perrier said the bid valued Vittel at about 2.1 billion francs and could cost Nestlé up to 980 million francs.

Vittel is one of the four leading brands of still mineral water in France and accounts for more than half of the still mineral water sold in restaurants and bars, a senior Vittel executive said.

Other than its main business of bottled mineral water, Vittel owns some soft drinks brands, including the Ricicles brand, and beauty products. It also owns hotels, sporting facilities and the casino in the town of Vittel in northeastern France.

Washington — The government's senior auditor says he believes the money provided by Congress this past week to handle the banking crisis will not be sufficient and that it could be completely used up by the failure of just one of the nation's largest banks.

Charles A. Bowsher, the comptroller general, said that existing accounting standards had enabled banks to conceal huge amounts of potential liabilities that could easily deplete the \$70 billion or so that Congress provided in new taxpayer funds to keep afloat the insurance fund that protects bank deposits.

"If any one really large bank went down, you'd have them right back there," Mr. Bowsher said of the lawmakers in an interview this week. He added, "I've been worried that the problem is much bigger than the regulators and the administration have admitted."

Mr. Bowsher heads the General Accounting Office, an investigative arm of Congress that is required to audit the bank insurance fund. The office has seen a confidential list prepared by the Federal Deposit Insurance Corp. of more than 1,000 troubled banks that the FDIC says are in danger of failing.

The list, prepared with bank regulators from two other federal agencies as well as state officials, is based on a review of banks' earnings; their capital; or cushion against losses; their portfolios of delinquent loans; and assessments of how well they are managed.

While the number of institutions on the list has been declining, the average size of the troubled banks on it has grown steadily, the FDIC says, raising concerns that the bank insurance fund will suffer even greater losses. The names of banks on the list are not made public, because regulators say that could cause huge depositor withdrawals, but general data about the troubled institutions are made available each quarter.

Turmoil From Markets to Main Street

Nonshoppers Worry Retailers

New York Times Service

NEW YORK — As the Christmas shopping season starts, consumers' unwillingness to spend is creating anxiety among retailers for whom the season is vital.

A number of recent surveys have pointed up consumer hesitations. A recent New York Times/CBS News poll found that 46 percent of people surveyed planned to spend less on presents this holiday season than in recent years. Only 12 percent said they planned to spend more this year.

[On Friday, President George Bush and his wife, Barbara, made a quick trip from the presidential retreat at Camp David to a shopping mall in Frederick, Maryland, to buy toys, a compact disc and some sporting goods. The Associated Press reported, "We've got a little toy department to look at to get some stuff for the grandchildren," Mr. Bush told reporters. "Slime" is the name of it, I believe.]

The Conference Board, a business research group, released its own survey results Friday, saying Christmas sales were likely to be down by as much as 3 percent this year.

Many retailers and retailing industry analysts are predicting that Christmas sales will increase about 4 percent this year. But

Economic Fears Buffet Dollar

By Lawrence Malkin
International Herald Tribune

NEW YORK — Fears of Soviet political and financial turmoil sent the dollar spiking upward Friday, but not too far and not for long. Analysts and traders said U.S. economic and political worries would continue to drag the dollar down in the days ahead.

As the market opened in London, several large orders to dump Deutsche marks for dollars sent the dollar up 2 pips to 1.635 DM amid stories of Soviet separatism, and unsubstantiated rumors of state bankruptcy and another coup. These were caused in part by new hard currency restrictions imposed in Moscow.

Because of the Thanksgiving weekend in the United States, the New York market was thin to nonexistent. Although it mimicked London at the opening, there was no follow-through. Both centers seemed to be moved mainly by traders protecting their positions against the unexpected. There was no sign of panic selling or a safe-haven rush into dollars by the public.

By late afternoon in London, the dollar had dropped back about a penny as some traders sold and took their day's profits, leaving the dollar at 1.628 DM, down on the day's high but up from Thursday's closing rate of 1.6155 DM.

To save money, Rocky Nelson of Lincoln, Nebraska, plans to make most of his Christmas presents by hand this year, and she is giving each of her two married children a certificate redeemable for a night of free baby-sitting.

"It used to be 1,001 presents under the tree," she said. "This year, Christmas is going to be a little skinnier present-wise."

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See DOLLAR, Page 10

IBM Game Plan Can Work, Experts Say

By John Markoff
New York Times Service

NEW YORK — IBM's startling plan for decentralization, which it announced on Tuesday, can work, computer industry and management experts say.

They cite precedents as diverse as AT&T, the American automobile industry, Japanese keiretsu and European multinationals as examples of other companies that have developed effective strategies for dealing with unwieldy and bureaucratic management structures.

When its business stalled, International Business Machines Corp. began paring its staff in a series of voluntary incentive programs, starting in September 1986. It has also made a number of organizational changes to try to resuscitate its development and marketing organizations.

Then, this week, the world's largest computer maker outlined a plan for a broad decentralization, intended to free some of the company's businesses to compete more effectively.

In addition, IBM said Tuesday that it would shed 20,000 more employees from its payroll in 1992, taking a \$3 billion charge for the costs associated with that this year, and reorganize itself around highly focused companies that will manufacture and sell computers and peripheral equipment for specific markets.

Chairman John F. Akers said the company would sell portions of these new businesses to joint ventures or the public to increase its strategic partnerships or gain financial leverage.

[Despite the company's and some industrial experts' upbeat views of the shuffle, IBM's stock fell \$1.625 to close at \$92.625 Friday, extending Wednesday's \$3.75 fall. Reuters reported, "People are using today as an opportunity to get out," one trader said, after Merrill Lynch and Bear Stearns stock analysts downgraded IBM on Wednesday.]

"This could be a very good move in terms of

speed of execution and decisiveness," said Eric K. Clemons, an associate professor at the Wharton School.

One European high-technology company that Mr. Clemons pointed to as a model of decentralization was Asca Brown Boveri, the Zurich-based multinational that resulted from a 1987 merger of Swiss and Swedish corporations. That company is a powerhouse in electrical equipment, transportation and other businesses. And with 240,000 employees and more than \$25 billion in revenue, it has maintained a nearly fanatic obsession with eliminating its overhead and remaining decentralized under its president, Percy Barnevik.

"Customers are powerful and sophisticated. They come to the companies and tell them what they want,"

Jim Moore of Geopartners

In an interview in the Harvard Business Review in March, Mr. Barnevik said that the company, which employs a quarter of a million people, has only 100 employees at corporate headquarters in Zurich.

Mr. Clemons said decentralization permitted independent companies to manage their own objectives. He said the Japanese keiretsu — loose but interlocking federations of specialized corporations — manage to pull together effectively by jointly specifying objectives.

"If IBM had a small software division, it would be a natural competitor to Microsoft," he said.

Some who might face a leaner and more

aggressive IBM warned, however, that the computer maker might err by swinging too far toward decentralization and give away some of the advantages of size.

Microsoft executives said Wednesday that they were waiting for IBM to detail its plan.

But by breaking itself into small units, IBM runs the risk of losing its greatest advantage, said Steven Ballmer, Microsoft's senior vice president for systems software.

"One of the assets they have today is that they can go to people and say, 'We're IBM, and we're going to make you king of the hill,'" he said. "You run the risk of losing the synergy you get from a larger organization by breaking down into smaller units."

IBM has vacillated between centralization and decentralization before. While in the past IBM had dozens of competing hardware and software platforms, since the mid-1980s the stated corporate goal has been to harness all of its large and small computers and its different software systems into a unified system known as Systems Application Architecture, or SAA.

In principle, the new software would have allowed users of all of IBM's computers to share information easily and present all users with a standard computer control system.

But largely because it is a private IBM standard and most companies are shifting instead to industry standards, only a few of IBM's largest customers have adopted SAA. As a result IBM has grudgingly agreed to redesign its systems to conform to open industry standards.

On a broader scale, IBM must radically change its style of doing business, management experts warn. The computing marketplace has changed radically, "Customers are powerful and sophisticated," said Jim Moore, president of Geopartners, a Cambridge, Massachusetts, consulting firm. "They come to the companies and tell them what they want."

See R&D, Page 10

Olivetti Revamps Structure

Moves Designed To Reduce Costs In Tough Market

Compiled by Our Staff From Dispatches
IVREA, Italy — Olivetti SpA announced a corporate reorganization Friday that is designed to eliminate duplication of costs among the various sectors of the computer concern at a time when the company is faced with a difficult market.

Olivetti will merge its Olivetti Office and Olivetti Systems & Networks — divisions that account for 90 percent of the company's business — into a new operations division headed by Elisirio Pini and reporting directly to the company chairman and chief executive, Carlo De Benedetti. One of Mr. De Benedetti's sons, Marco, will head one of the two sections of that division.

The reorganization comes just three years after Olivetti split itself into three operating groups, and just a few weeks after Mr. De Benedetti took over the reins of the company from the architect of that change, Vittorio Cassoni.

In the first half of 1991, Olivetti reported a pretax loss of 73.7 billion lire (\$58.5 million), a sharp reversal from its 60.9 billion lire profit in the year-earlier period, and its first loss in more than 10 years.

"In the face of slackening demand that shows no sign of reversing, the Olivetti group must adjust its structure to market conditions that have drastically changed since 1988, when the group reorganized on the assumption of a growing market," Mr. De Benedetti said.

Friday's reorganization, although presented as a consolidation, involves the creation of three different divisions, Olivetti said.

The operations division will comprise two industrial branches, information technology and office products, which are responsible for the development of products, marketing and research and development. Those two branches will be directed by Mauro Righetti and Marco De Benedetti.

The other two divisions are diversified activities and public administration, both reporting to Mr. De Benedetti. The diversified activities division will coordinate the group's business plan, manage corporate development and oversee foreign subsidiaries. The public administration division will coordinate the development of Olivetti's presence in the Italian public sector and national and regional public programs.

Olivetti Information Services, the software arm headed by Mr. De Benedetti's brother Franco, will remain "relatively autonomous," a company spokesman said.

There have been press reports that Carlo De Benedetti, rebuffed in trying to ally the operation with the software branch of the state holding company IRI, was now interested in a software alliance with France's Cap Gemini Sogefi.

(Reuters, AFP)

CURRENCY RATES

Cross Rates	Nov. 29
Australian dollar	1.23
British pound	1.65
Canadian dollar	0.75
Deutsche mark	1.63
French franc	6.55
Italian lira	1,936
Japanese yen	163.6
Swiss franc	1.48
U.S. dollar	1.00

Changin in Amsterdam, London, New York, Toronto and Zurich, relative to other centers. a: To buy one pound; b: To buy one dollar; c: Units of 100; N.A.: not quoted; N.A.: not available.

Other Dollar Values	Nov. 29
Australian dollar	0.75
British pound	1.65
Canadian dollar	0.75
Deutsche mark	1.63
French franc	6.55
Italian lira	1,936
Japanese yen	163.6
Swiss franc	1.48
U.S. dollar	1.00

Forward Rates
Currency 30-day 60-day 90-day
Pound sterling 1.2300 1.2350 1.2400
Deutsche mark 1.6300 1.6350 1.6400
Swiss franc 1.4800 1.4850 1.4900

Source: NAB Bank (Amsterdam), Deutsche Bank (Frankfurt), Banco Commerciale Italiano (Milan), Banque Paribas (Paris), Bank of Tokyo (Tokyo), Royal Bank of Canada (Toronto), IMF (SDR), Gascorn (Lyon). Other data from Reuters and AP.

INTEREST RATES

Eurocurrency Deposits	Nov. 29
1 month 3 1/4%	3 1/4%
3 months 3 1/4%	3 1/4%
6 months 3 1/4%	3 1/4%
1 year 3 1/4%	3 1/4%

Source: All Reuters except ECU; Lloyds Bank.
Rates available to interbank deposits at \$1 million minimum (or equivalent).

Key Money Rates	Nov. 29
United States	4 1/4%
Discount rate	4 1/4%
Prime rate	7 1/4%
London	10 1/4%
Can. major 90-day bills	4 1/4%
3-month Treasury bills	4 1/4%
6-month Treasury bills	4 1/4%
1-year Treasury bills	4 1/4%
3-month Treasury notes	4 1/4%
6-month Treasury notes	4 1/4%
1-year Treasury notes	4 1/4%
3-month CDs	4 1/4%
6-month CDs	4 1/4%
1-year CDs	4 1/4%

Asian Dollar Deposits	Nov. 29
1 month 5 1/4%	5 1/4%
3 months 5 1/4%	5 1/4%
6 months 5 1/4%	5 1/4%
1 year 5 1/4%	5 1/4%

U.S. Money Market Funds	Nov. 29
Merrill Lynch Ready Assets	4.78
30-day average yield:	
Tollgate Interest Rate Index	4.78
Source: Merrill Lynch, Pierce, Fenner & Smith	

GOLD	Nov. 29
Gold bars	368.50
Gold coins	368.50
Gold futures	368.50
Gold options	368.50
Gold ETFs	368.50
Gold mining stocks	368.50
Gold jewelry	368.50
Gold bullion	368.50
Gold reserves	368.50
Gold production	368.50
Gold consumption	368.50
Gold supply	368.50
Gold demand	368.50
Gold price	368.50
Gold value	368.50
Gold weight	368.50
Gold purity	368.50
Gold quality	368.50
Gold condition	368.50
Gold location	368.50
Gold history	368.50
Gold future	368.50
Gold past	368.50
Gold present	368.50
Gold overall	368.50
Gold summary	368.50
Gold conclusion	368.50
Gold recommendation	368.50
Gold disclaimer	368.50
Gold notice	368.50
Gold terms	368.50
Gold conditions	368.50
Gold restrictions	368.50
Gold exceptions	368.50
Gold limitations	368.50
Gold exclusions	368.50
Gold inclusions	368.50
Gold details	368.50
Gold specifics	368.50
Gold particulars	368.50
Gold circumstances	368.50
Gold situations	368.50
Gold environments	368.50
Gold backgrounds	368.50
Gold contexts	368.50
Gold settings	368.50
Gold surroundings	368.50
Gold atmospheres	368.50
Gold climates	368.50
Gold seasons	368.50
Gold times	368.50
Gold dates	368.50
Gold years	368.50
Gold months	368.50
Gold weeks	368.50
Gold days	368.50
Gold hours	368.50
Gold minutes	368.50
Gold seconds	3

MARKET DIARY

Stock Prices Ease
On a Very Slow Day

United Press International
NEW YORK — Prices on the New York Stock Exchange eased Friday in the second-slowest session of the year as the market attempted to shake off an initial depression tied to low investor confidence and weak overseas markets.

N.Y. Stocks
IBM again weighed on the market. The market bellwether's stock sank 3% Wednesday after several brokerage firms downgraded their ratings on the giant computer maker, dragging the market along with it. On Friday, IBM, the second-most-active issue, dropped another 1% to 92%.

The Dow Jones industrial average, which lost 16.10 points to 2,900.04 Wednesday, shed another 5.36 points to close at 2,894.68 — its lowest level since May 20 when it closed at 2,892.22.

Declines topped advances by about 7 to 6.

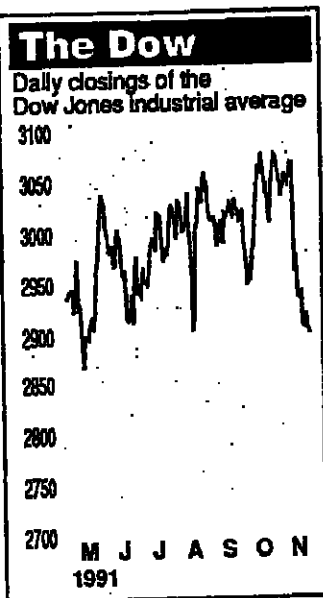
Volume was 76.8 million shares, well below the 167.7 million traded Wednesday.

Analysts said the market opened lower, discouraged by weak overseas markets, but added the light post-holiday trading kept the losses limited. U.S. markets were closed Thursday for the Thanksgiving Day holiday.

Gail Dudack, market analyst with S.G. Warburg & Co., said the day after Thanksgiving traditionally has one of the lightest volumes of the year.

To compound that, she said, the market "is suffering from a confidence crisis, and weak foreign markets don't add to that confidence."

RJR Nabisco Holdings paced the active, edging up 1/4 to 94. Glaxo Holdings was third. Among blue chips, AT&T edged up 1/4 to 36 1/2. Philip Morris eased 1/4 to 67 1/2. American Express was unchanged at 19. General Motors slid 1/4 to 30 1/2 and General Electric fell 1/4 to 64 1/2.



NYSE Most Active

Vol.	High	Low	Last	Chg.
IBM	92 1/2	92 1/4	92 1/4	-1/4
IBM	92 1/2	92 1/4	92 1/4	-1/4
IBM	92 1/2	92 1/4	92 1/4	-1/4
IBM	92 1/2	92 1/4	92 1/4	-1/4
IBM	92 1/2	92 1/4	92 1/4	-1/4

NYSE Daily

Advanced	Declined	Unchanged	Total Issues
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182

NASDAQ Daily

Advanced	Declined	Unchanged	Total Issues
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182
774	729	679	2,182

DOLLAR: Soviet Fears Send It Up

(Continued from first finance page)
of how profound the impact will be of Soviet instability on near-term financial considerations.

The Soviet news increasingly affects the market mainly as traders

Foreign Exchange

take short positions, which means they are gambling or hedging on a sudden drop to protect their gains or make quick profits. Paul Aslett, corporate foreign exchange manager at Shearson Lehman in London, explained, "The poor dollar fundamentals haven't changed but it is the week-end, the month-end, and nearly the year-end, and the market is using the Soviet trouble as an excuse to cover their short positions."

Mr. Lipsky and others also were beginning to discount the worries and perhaps even the effects of a Soviet debt default because of the cooperative efforts by the Group of Seven financial powers to organize Soviet emergency food and other aid and a construct a financial safety net.

Klaus Baader, an economist at

UBS/Phillips & Drew in London, said that thanks to these G-7 arrangements, "Germany has succeeded in spreading the risks around the financial system." Although Germany is seen as Europe's front-line country, most at risk to a default because of its loans to the Soviet government and to waves of immigration in the event of Soviet civil strife, Mr. Baader pointed to the sharp decline in the French franc and declines in other European currencies as possible shock absorbers for the Deutsche mark.

Traders estimated that ranges in days to come would be not too far from this week's, and were already looking with little optimism toward next week's data from the National Association of Purchasing Management Survey, and U.S. government figures on the third-quarter gross national product, leading indicators and unemployment.

Just as the market has come to terms with the stalled U.S. economy, cooler heads in London said it will also adjust to Soviet uncertainty.

R&D: Recession Taking Its Toll on Defense Contractors' Research Efforts

(Continued from first finance page)
Corp., which has resisted research cuts, said, "We'll keep doing what we've been doing."

Bernard Schwartz, chairman of Loral Corp., said 100 percent reimbursement would remove a psychological barrier that often caused him to look more critically at research budgets than he should have. But he could not think of any particular research project he would fund now that he would not have funded before.

At the Aerospace Industries Association, a trade group that has lobbied for a 100 percent reimbursement for nearly a decade, LeRoy J. Haugh, the association's vice president, acknowledged that he does not anticipate "any significant increases" in independent R&D. "Overall, we still see the trend going down," he said.

Of 10 defense contractors contacted, only Westinghouse Electric Co. predicted a "significant" increase in independent research.

Noel Longmire, vice president of Westinghouse's government systems division in Baltimore, said that at present "there is a tendency to cut out programs with long-term payoffs because you can't clearly see the financial consequences." But with the change in reimbursement, he predicted that he could afford to fund "a number of promising technologies, particularly in the area of advanced sensors that we've had to defer."

For aggressive companies like Westinghouse or Martin Marietta, the new R&D rules are likely to be used as part of a larger effort to take market share from competitors. But for others, the rules' impact will be overwhelmed by other forces now buffeting the industry.

WORLD STOCK MARKETS

Agence France Press Nov. 29

Market	Index	Change	High	Low	Close
Amsterdam	ABX 100	24.40	24.40	24.40	24.40
Brussels	ABX 100	24.40	24.40	24.40	24.40
Frankfurt	ABX 100	24.40	24.40	24.40	24.40
London	ABX 100	24.40	24.40	24.40	24.40
Madrid	ABX 100	24.40	24.40	24.40	24.40
Paris	ABX 100	24.40	24.40	24.40	24.40
Sao Paulo	ABX 100	24.40	24.40	24.40	24.40
Singapore	ABX 100	24.40	24.40	24.40	24.40
Tokyo	ABX 100	24.40	24.40	24.40	24.40
Zurich	ABX 100	24.40	24.40	24.40	24.40

EUROPEAN FUTURES

Close High Low Prev. Close

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Food

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Metals

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Stocks

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Commodities

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Dividends

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Financial

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Grains

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Oil

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Stocks

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
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Commodities

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
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3-MONTH EURO (LFF)	100.00	100.00	100.00

Dividends

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
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3-MONTH EURO (LFF)	100.00	100.00	100.00

Financial

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Grains

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Oil

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Stocks

Contract	High	Low	Prev. Close
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3-MONTH EURO (LFF)	100.00	100.00	100.00

Financial

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Grains

Contract	High	Low	Prev. Close
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3-MONTH EURO (LFF)	100.00	100.00	100.00

Oil

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
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Commodities

Contract	High	Low	Prev. Close
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Dividends

Contract	High	Low	Prev. Close
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3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Financial

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Grains

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Oil

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
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3-MONTH EURO (LFF)	100.00	100.00	100.00

Stocks

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3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00

Commodities

Contract	High	Low	Prev. Close
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00	100.00	100.00
3-MONTH EURO (LFF)	100.00		

THURINGIA

Building on the Weimar Heritage of Industrial and Intellectual Innovation

Thuringia, relatively small but highly central, is once more playing a leading role in Germany. The state is translating its history of industrial and intellectual innovation into a broad-based economic recovery.

Nothing is large-scale or highly centralized in Thuringia. The state's dimensions are modest — 16,251 square kilometers (6,277 square miles). Its largest city, Erfurt, has only 212,000 inhabitants.

Even in the past, Thuringia was never home to a single, all-embracing empire. Until 1920, the state's map was a hodgepodge of 94 minuscule, highly independent king-

DM15-billion investment in the future

doms, electorates, bishoprics and "free cities." Even the state's traditional products — Sonneberg's toys, Stützerbach's glass and Rudolstadt's porcelain — reflect an era of painstaking, jealously guarded individual skills.

Today, Germany's financial dailies are running stories on contemporary skilled producers newly arrived in Thuringia: "Compaq recruits Erfurt software house as partner," "Nuremberg's Apollo Optik acquires Jena's Optofot GmbH," "Waldenbach's Karl Neff forms metal-

working joint venture with Jena's Jenoptik" are mid-November sample headlines.

The state's total industrial production was up 7 percent in August, as compared with July, with a 10-percent rise in the number of new companies; the unemployment rate has decreased correspondingly, from over 12 percent in July to 11.5 percent on Nov. 1.

This new growth could be dubbed "Turn-around, Thuringian Style." As befits the state's history and character, its new companies are relatively small-scale (with a few important exceptions, such as Opel in Eisenach), and its economy still has a broad, decentralized base.

It has been said that the smaller the state or system, the greater the individuals and their influence. Thuringia has caused generations of German thinkers to ponder the inverse relationship between size and significance. In the late 18th century, Weimar,

then a town with a population of 6,000, was crowned "Europe's intellectual capital." Behind its rise to prominence was an 18-year-old duke, Carl August, and his freethinking mother, Anna Amalia. Sixty years later, Carl Zeiss and Ernst Abbe did much more than make "Jena the center of 19th-century high-tech," as Thuringia's minister of the sciences and arts, Ulrich Fickel, puts it. While their microscopes, binoculars and rifle sights were earning German precision mechanics a high reputation around the world, Abbe and Zeiss were welding social welfare to free enterprise. They wrote into the corporate statutes their work force's rights to adequate pensions, paid vacations and the eight-hour working day.

This industrial and intellectual heritage managed to survive 40 years of East Germany's rigid centralism. In fact, thanks to the billions scrimped together by East

German economic authorities and then lavished upon Thuringia, the state continued to flourish. Eisenach (population 40,000) was selected to produce the country's ultimate driving machine, the Wartburg automobile. Sommerda (23,500) supplied the entire East bloc with Robotron computers and printers, and the Carl Zeiss Jena Kombinat (vertically-integrated public-sector holding company) was made into the center of the country's quixotically successful push into microelectronics and space technologies.

Thuringia's alluring agglomerate of reasonably new, often state-of-the-art industrial facilities is now drawing an increasing number of investors to the state. To these pharmaceutical, agribusiness and metal-processing executives, the past is of interest when the time comes to staff such newly structured companies as Neff Jena or Thuring. Faser AG. Five generations of manufacturing the world's best products bred a confidence that economic and political upheavals never quite managed to erase.

Investors have acquired the practical rudiments of Thuringia's industrial geography: for wood and furniture, Nordhausen, Sangerhausen, Mühlhausen; for glass and optical instruments, Jena, Hermsdorf, Kahla, Saalfeld; for capital goods and vehicles, Eisenach, Gera; for textiles, Apolda.

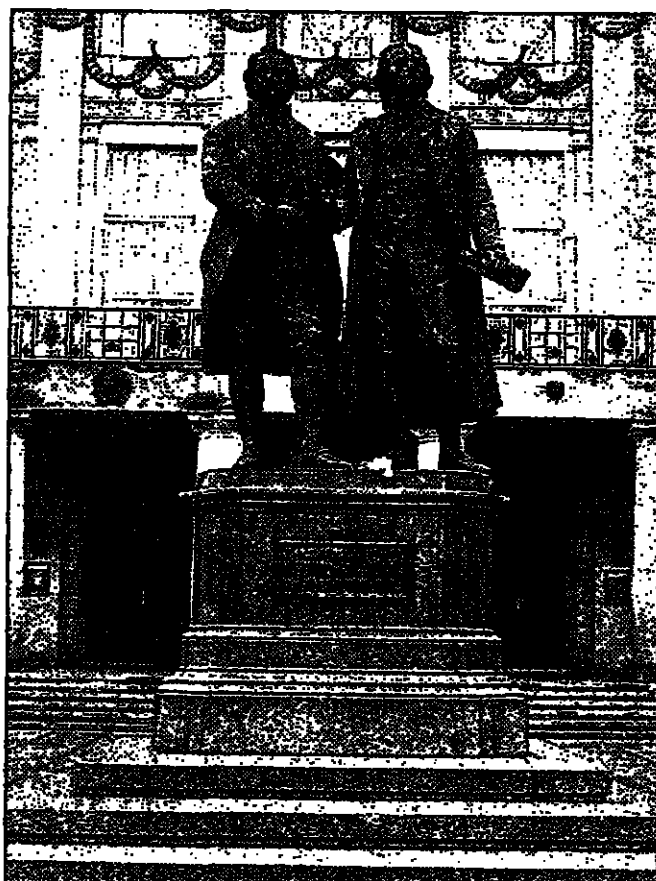
The fact that Saalfeld, once the seat of the Sachsen-Saalfeld duchy, has been manufacturing metal and glass products for at least a millennium is, no doubt, of peripheral interest to contemporary investors, but it is precisely this industrial and royal past of the older Thuringia that will bring around 10 million visitors flocking to the state this year.

Most of them will delight in the sheer density of sights in a land that contains both Greiz (seat of the Elder Line of the Reuss dynasty) and Schleiz (seat of the Schleiz Line of the Reuss dynasty) only 35 kilometers apart.

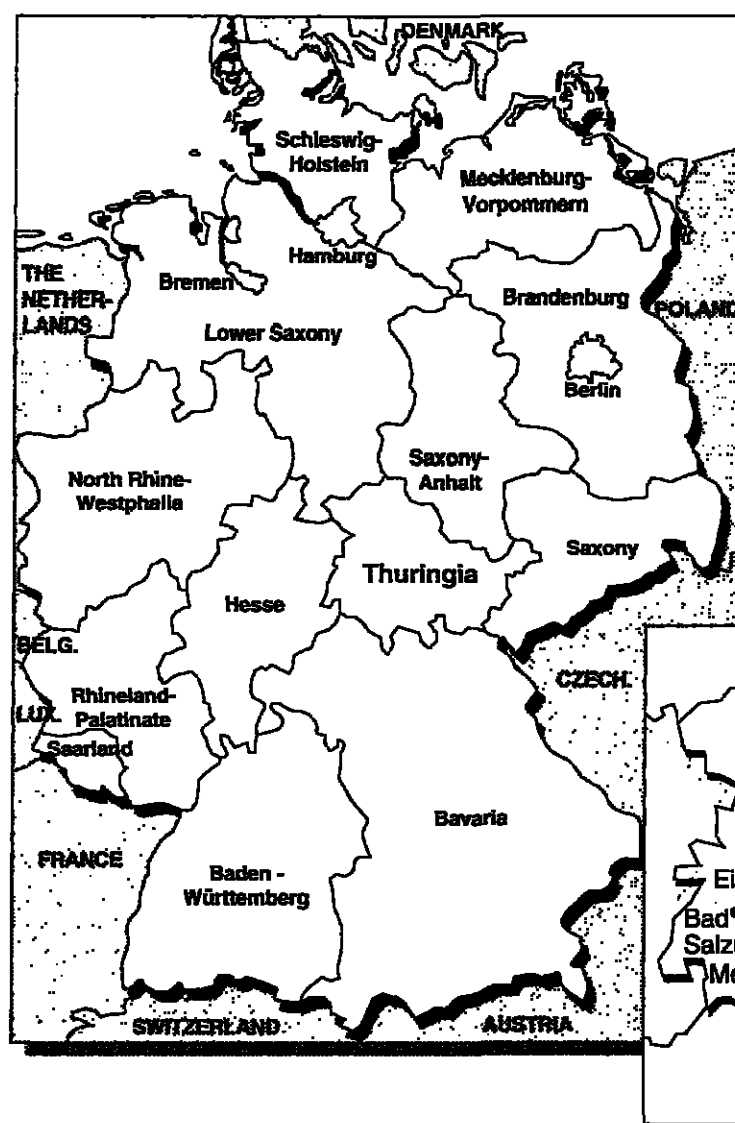
Many will note with approval how far work on the autobahns has progressed. One of the most obvious accomplishments stemming from the 15 billion-Deutsche-mark (\$9.5 billion) state budget allocated by the government of Thuringia in its first year in office is a new ease in traveling. Over 540 kilometers of highways have been revamped, and rail and air links now connect Erfurt with Frankfurt, Berlin, Munich and Nuremberg.

But few will give credit to the original source of these transport policies. One hundred and sixty-three years ago, in Weimar, an aging poet was discussing how best to unify his Germany, in which a simple cross-country trip meant passing through 36 frontiers.

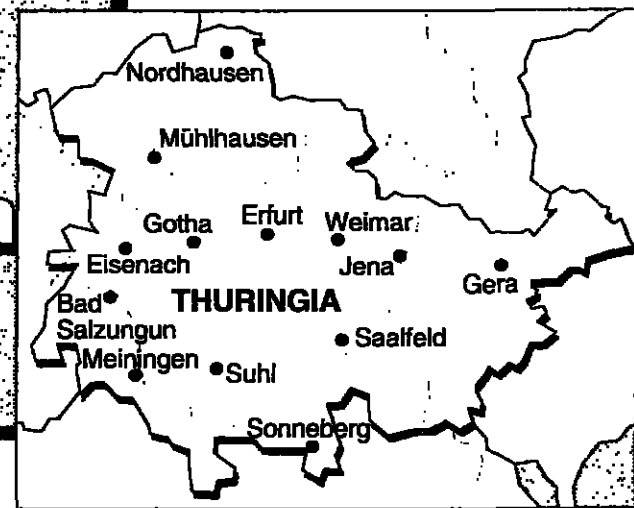
Finally, with a sigh, Johann Wolfgang von Goethe found a ray of hope. "Our good avenues and the upcoming railroads will do their part [to unify the country]," he predicted.



A statue in Weimar of Goethe and Schiller, who helped shape Thuringia's rich cultural history.



Once the center of the powerful Weimar republic, Thuringia is exploiting its many natural and human resources to create a newly prosperous future.



A Thriving Private Sector Is Evolving From a Long Industrial Tradition

The first phase of Thuringia's return to a free-enterprise system has been completed. Through the efforts of an alliance of city, state and public-development agencies, the state now has hundreds of new companies, rapidly improving infrastructure and some new industries.

Even in a very large state, 6.5 billion Deutsche marks (\$4.1 billion) would represent an impressive amount of public-sector support for businesses and tourism. In Thuringia, one of Germany's smaller states, the transfer of this amount of financing to the private sector over the past year has had a dramatic, highly visible impact.

The state government recently published a survey of its accomplishments during its first year in office. The

"We try to see [traffic congestion] as a sign of prosperity," says Thuringia's prime minister, Josef Duchac. He points out the need to spread economic development throughout the entire state, particularly into northern and southern Thuringia, the prime breeding grounds of a future Mittelstand, or collection of small and medium-sized industry.

The strategy of the Treuhandanstalt and its three regional offices in Thuringia (in Erfurt, Jena and Gera) has been to take the former VEBs (public-sector companies) and Kombinate and to make them into candidates for membership in a future Mittelstand with vast stores of technological know-how.

New companies, including TNI Thüringische Nadel GmbH, Labortechnik GmbH Ilmenau and Chema Verfahrenstechnik GmbH Rudolstadt, produce such technology as needles for industrial use, portable medical testing stations and equipment for evaporation technological processes.

Some of these companies are still owned by the Treuhand, but quite a few others have been acquired by such major outside investors as agro-giants Südzucker and Südfleisch, Docter Optic, Hyundai and Robert Bosch. Recently, the very non-German acronyms "MBO" and "MBI" (management buyout and management buy-in) have been appearing more and more often on Treuhand's

DM6.5 billion for business and tourism

figures are compelling — 37,000 new businesses registered during the first nine months alone and 649 companies privatized by the Treuhandanstalt (the agency charged with supervising the return of the East German economy to the private sector).

These impressive statistics show that Thuringia already has a healthy private sector, complete with hundreds of cafés and shops lining downtown Erfurt's streets, and with dozens of building-supplies hypermarkets, car dealers and business parks grouped alongside the main route connecting Erfurt, Weimar and Jena.

At the moment, it is this highway and the two autobahns — A4, running from Dresden to Frankfurt, and A9, running from Munich to Berlin — on which new industrial growth is concentrated, leading to traffic jams, especially on the route between Jena and Erfurt.

Continued on Page 111

Developing Medium-Sized Companies

Lothar Späth was prime minister of the state of Baden-Württemberg from 1978 to 1991 and played an instrumental role in the state's transformation into Germany's leading export region. Since June 1991, he has been chairman of the board of Jenoptik, a state-owned holding company with a 49-percent share in Carl Zeiss Jena. Jenoptik focuses on business and industrial development activities. In the following interview, he responds to questions about the future of Thuringia's industrial sector.

Thuringia's service sector has been developing very rapidly and has been bearing the brunt of job creation. What is the state's industrial future?

Thuringia will be, must be a state with a strong industrial sector. What has happened in the service

What kind of investment does the state need? Something very important: We have to make sure that the products manufactured in the new German states aren't the same ones being manufactured in Portugal or Taiwan in three years' time. Wages in the new German states are set to rise to West Germany's levels. That's why our technology has to be at the same level, because only high-tech products have the necessary added value to justify the high wages.

The jobs that are being created in the Jena region are high-tech in nature, as are many of those in Erfurt. In Eisenach by the automobile industry, and in the greater Zwickau-Mosel area, which takes in part of Thuringia. All told, we are experiencing a large-scale change in the economic structure in the region, one in which such old, established industries as textiles and typewriters are suffering huge losses. Taking their place are doz-

Lothar Späth: "Support technology now, or welfare programs later."



ens of medium-sized high-tech companies. Jobs, of course, will be created in areas that were underdeveloped. In Jena, for instance, many people will soon be working in hotels that are just in the planning stage at the moment.

How do you foresee Thuringia developing?

Thuringia is a relatively small state, but it will be highly diverse in its activities. The state has both technology in Jena and culture in Weimar. That's my old specialty from Baden-Württemberg — using the creativity in culture to help the state as a whole.

Why do you place such importance on research and development?

This is an area in which the politicians have to do their share. They have to finance the large research and development projects. Otherwise, our region will lose its young people and their talents, and with them, its economic future. The only choice we have is to support technology

now, or welfare programs later. How do you go about presenting Thuringia — a state that isn't exactly a household word — to foreign investors?

Everybody's heard of Zeiss Jena. That really helped me in Japan. I've just come back from the United States; Zeiss Jena also really works for Thuringia there. You always need a few names to work with. For a number of years, I was on the road for Baden-Württemberg and would go to the United States with the names Daimler-Benz, Bosch, Deutsche IBM, Heidelberger Druck and Black Forest.

I've been at home in America and in Japan for 25 years, and they [Americans and Japanese] believe me when I say that our projects here are going to be managed in a Western style. That takes care of their doubts and reserva-



tions about entering the Eastern market. And I have to say that there has been a noticeable increase in the Americans' interest in the Eastern market.

What are some of the priorities you have set at Jenoptik?

We have formed three profit centers (precision mechanics, optoelectron-

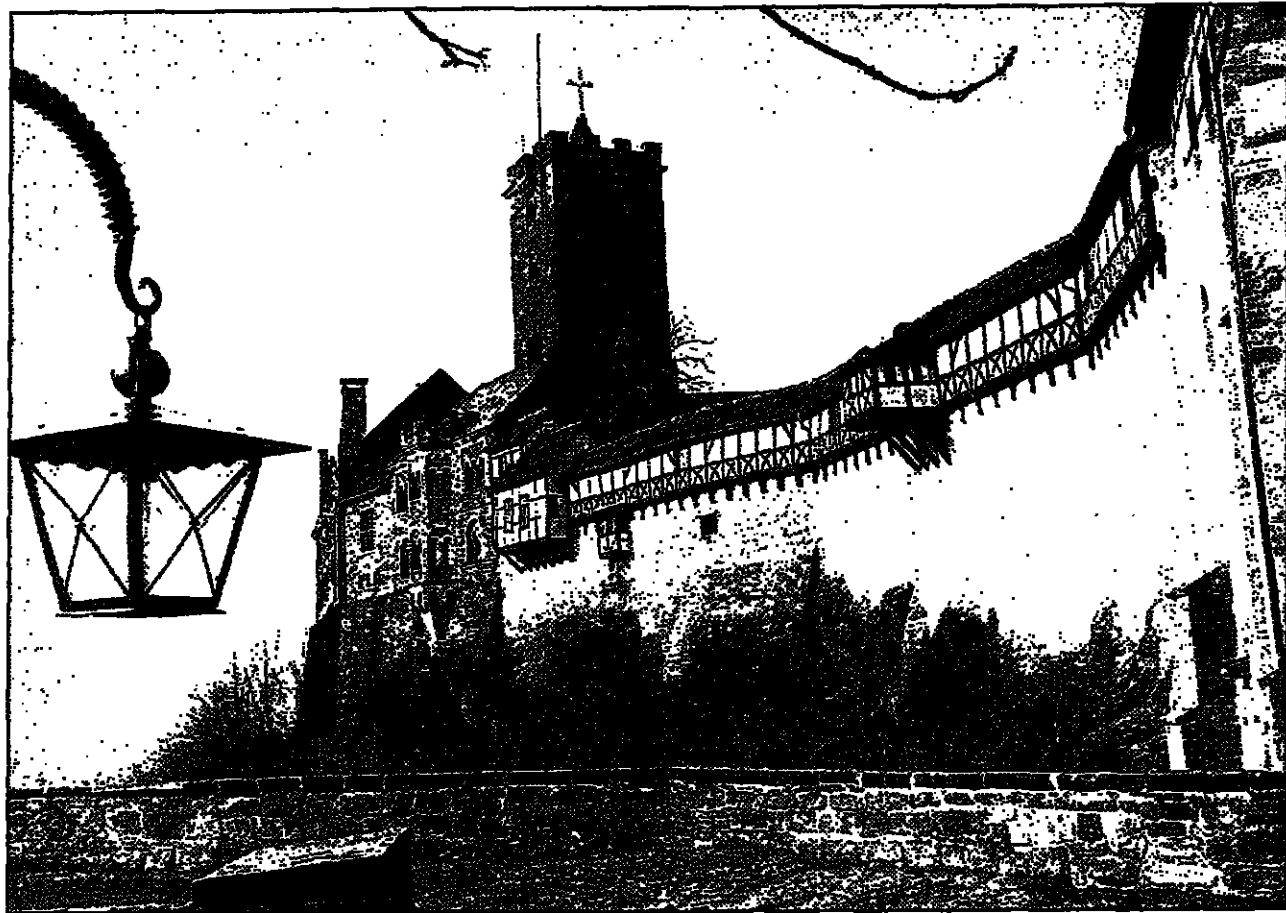
ics, microelectronics and semiconductor production technologies), each employing some 500 people. We have 200 people working in our headquarters to develop a number of projects. As far as our other main activity goes (operations by joint ventures, associates and subsidiaries), I've always said that the

most important thing is to make sure that the Mittelstand (small and medium-sized companies) is encouraged to settle in Jena, because insects are always a little bit quicker than dinosaurs. With the Mittelstand, we will have founded some 40 companies by the end of the year and created some 3,000 jobs.

ADVERTISING SECTION



Wartburg fortress (below), where Martin Luther (right) translated the Bible into German, and Schiller's house in Weimar are among many tourist attractions.



Visiting Landmarks of an Illustrious Past

For many, a trip to Thuringia starts and ends in its vast forests, the home of dozens of former kingdoms; several cities, each with its own special character; and sites that are among the most significant in the history of European culture.

In the 1300s, Thuringia (Thüringen, in German) was known as the "Rennsteig" or "Rennsteig" (literally, "fast trail"), and it attracted traders from the south through the dark forested depths of the Thüringer Wald — the Thuringian Forest — to the prospering, bustling cities of Eisenach, Weimar and Erfurt, already almost six hundred years old.

In 1521, a young, recalcitrant monk — Doctor Martinus Luther — was dispatched down the Rennsteig, leaving Worms and its dangers behind him. Luther, rather against his will, arrived safely at the fortress of Wartburg. Within its sheltering walls, site of Thuringia's capital since 1067, Luther translated the Bible into German and laid the foundations for the Reformation.

In 1777, the young poet Johann Wolfgang Goethe decided to approach Weimar, where he had just been appointed privy councillor for the duchy, on foot. Goethe's descriptions of the pristine beauties of the 168 kilometers (104.3 miles) of the Rennsteig were both romantic — "tranquillity crowns all of its peaks," he wrote enthusiastically — and realistic: "Couldn't find a decent place to sleep," he complained.

In 1991, the Wartburg threatens to eclipse Neuschwanstein to become Germany's most-visited tourist attraction. Weimar is on course to set a 1991 tourism record — four million visitors are expected to have descended upon the city by the end of the year.

Ulrich Fickel, Thuringia's deputy prime minister, recently joined tens of thousands of other athletic Thuringians in the Rennsteig Marathon. "I'm not in shape to do it again; thanks to my job, I don't have much time for my

outside interests," he says.

Mr. Fickel is also the state's minister of sciences and arts, and one of his principal responsibilities is preserving and, when necessary, restoring the cultural treasures of this small state — only 175 kilometers across at its widest — that was the home of such towering cultural figures as Johann Sebastian Bach

and scaling the imposing heights of the Wartburg. Mr. Fickel heads off to Meiningen, some 50 kilometers to the south, and one of the most important names in European culture.

Meiningen, like nearly everything else in the state, is very small — 26,000 inhabitants — but has a strikingly mixed assem-

ble of historic and modern buildings. As is the case elsewhere in Thuringia, the city's limited physical dimensions belie its intellectual importance. In the late 19th century, Meiningen's Stadttheater — Municipal Theater — attracted such luminaries as Johannes Brahms, Richard Strauss, Hans von Bülow and Max Reger. Today, a hundred years later, the city is still being visited by theater-lovers, who travel from Würzburg, Bayreuth, Erfurt and even farther away to attend performances.

Southern Thuringia is wooded and relatively rural. The third day of Mr. Fickel's tour includes an excursion to the medieval city of Hildburghausen, to Suhl with its industrial legacy, to the winter sports center of Oberhof, to Arnstadt (the oldest and perhaps most elegant city in Thuringia) and on to Erfurt, the state's capital. A thousand years ago, woad made Erfurt rich. The trade in this dye-producing plant financed the building of the innumerable half-timbered houses, Renaissance mansions and churches (so many that the city was designated the "German Rome") that fill Erfurt's center.

Erfurt has been lucky — it was not heavily bombed during World War II and was thus largely spared the attentions of postwar East German city planners. Today, it is a lovely city of cafés, galleries and historic sites, which include Martin Luther's cell in an Augustine monastery.

The next stops on the tour are Mühlhausen and Kyffhäuser, both prime tourist attractions. The first is a city circled by an imposing wall; the second a mountain crowned with an 81-meter-high monument. Around 450 years ago, Mühlhausen was the stronghold of Thomas Müntzer, a sword-bearing contemporary of Luther who set off one of Europe's most bitter peasant revolts. Around 350 years earlier, Kaiser Friedrich Barbarossa had held sway over Germany and Italy; the Kyffhäuser, supposedly his final resting place, is a monument to Germany's imperial past.

Since its founding in 1558, Jena's university has been highly respected. In 1789, Schiller (whose name the university now bears) joined the faculty and made Jena the world's center of philosophic thought.

In the late 19th century, Germany's reputation for producing excellent high-tech products was established by the Carl Zeiss company in Jena, whose microscopes, planetariums and telescopes were soon regarded as the world's finest. The friendly, often symbiotic competition between factory town and philosophic gown in Jena was fostered during 40 years of control by East German technocrats. Today, the two highest buildings in the city are Carl Zeiss Jena's skyscraper headquarters and the "Üni (university) Tower," some 12 meters high.

Weimar was not only the home of Goethe but also of Lucas Cranach the Elder and Johann Sebastian Bach. A pilgrimage to Weimar was as obligatory a part of a 19th-century European's Grand Tour as a week in Florence. Franz Liszt conducted the royal court's orchestra, championing the works of his friend and son-in-law Richard Wagner. Walter Gropius founded the Bauhaus in Weimar. The artists he attracted included Paul Klee and Wassily Kandinsky.

The city celebrates Goethe more than any other artist. His face graces monuments, his sayings adorn the city's libraries and bookstores, and even Weimar's riverside park, the Park an der Ilm, was planned by him.

Next on the tour is Gotha, whose rulers, like Weimar's, were both cultivated and generous. Unlike Weimar, Gotha was also a city of antiquarians. The Gotha court did more than collect books (its library was considered one of the wonders of the 17th and 18th centuries); it also published them. The royal scribes recorded the family trees of Germany's aristocracy; its geographers, the changing contours of the known world.

Gotha also enjoys another, more modern distinction. For those fatigued after seven days and 15 major excursions, the city, as Mr. Fickel points out, has the perfect remedy — a tramway that runs deep into the heart of the Thüringer Wald, still as imposing in its natural beauty as it was centuries ago.

The state was home

to many of the world's

greatest thinkers and artists,

including Goethe, Bach, Schiller

and Luther

Treuhandanstalt Gera Branch

Thuringia is called the "green heart of Germany".

The Gera region covers east Thuringia and offers excellent access to the highly industrialized areas of Leipzig (65 km) and Dresden (136 km) in Saxony as well as the German capital Berlin (240 km) by direct rail and road links (Autobahn).

Gera airfield is open to general aviation whereas international airports are to be found at the 3 cities mentioned before.

The region around Gera offers excellent recreational facilities, and Gera itself offers all forms of schooling, Theatre, Museums — a well-developed infrastructure.

There are still approx. 150 companies available to investors in various branches of trade, industry, service and consultancy, for example; machine-tools and tools manufacturers, machinery equipment, metal working, electronic controls, electric household applications, building, plastics, food, fashion of all types, shoes and leather, cosmetics, glass and real China, engineering and consultancy, computer software etc.

The number of employees ranges from 15 to 1300.

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Tender conditions:

1. Everybody is entitled to bid. Bids are normally expected for the total share capital of the company. All offered companies are in the legal form of a limited liability company (GmbH) and are of small and medium size. They are all located in Thuringia, near Gera. All companies are presently totally owned by the Treuhandanstalt. Asset deals are also possible.
2. Each bidder is requested to make his own inspection and evaluation of the company. The managers of the companies have been instructed to provide any information required by bidders duly authorized.
3. A written authorization to visit the companies incl. address may be obtained from the Gera branch of the Treuhandanstalt.
4. Bids are to be submitted in a sealed envelope marked with the name of the company for which the bid is submitted.
5. Bids are to be in Deutsche Mark and should be valid for ninety days.
6. The bids have to include a statement on the intentions of the bidder regarding the envisaged future of the company, e.g. continuation in its present form, change of product line, marketing strategy, mergers etc. To be included are also estimated investments and employment forecasts for the next three years.
7. Decisions on the bids will be made by the Treuhandanstalt Gera. Treuhandanstalt is not bound to accept the highest or any bid. The statement according to para 6 of these conditions is the most important. Existing cooperation agreements with the offered companies will be evaluated if submitted together with the bid.

When contacting the Treuhandanstalt Gera, please use fax rather than mail. Address the Director for Privatization.



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* To be opened soon

ADVERTISING SECTION

Adapting to Free-Market Challenges

The creation of thriving centers of regional growth is one of the major challenges facing Europe in the 1990s. Two cities in Thuringia are demonstrating how to achieve integrated, balanced expansion from a regional base.

Eisenach and Jena will be Thuringia's main industrial centers; both have been the focus of major investments. Adam Opel AG is building a state-of-the-art automobile factory in Eisenach, while in Jena, 80 kilometers (49.7 miles) to the east, around 40 Western investors, led by such prominent firms as Deutsche Aerospace AG and Sandoz, are par-

Effective distribution crucial to the East's success

ticipating in space, environmental and information-technology projects. Jena's industrial sector is fueled by the activities of Carl Zeiss Jena and of Jenoptik, a state-owned holding company with a 49-percent share in Carl Zeiss Jena, which is responsible for business and industrial development activities.

The secondary efforts of the communities to ensure business growth are just as important as the raw size of the Eisenach Opel facility (with an annual production goal of 150,000 automobiles) and the number of sectors developing out of the Jena industrial complex (18 so far).

In Eisenach, the Berufsbildungswerk Eisenach GmbH was recently singled out by the authoritative *Süd-deutsche Zeitung* as being a model occupational-training program for the entire region. Parts and components for the fledgling automotive industry will be produced in and around Eisenach itself, not imported from Western Germany, thanks to the increasing numbers of automotive suppliers setting up operations in the region. Program graduates will constitute the region's future work force.

A fear often expressed by residents of Eastern Germany is that while jobs may be brought to the East by new projects, know-how will remain in the West. This fear is being assuaged by Jena's various projects. The city's Friedrich Schiller University will soon have a new department devoted to the study of technology management, a new polytechnic institute is to be established, and the Fraunhofer Gesellschaft, an association of research organizations, will open a branch in Jena. Commercial development of the new technologies and applications that are created in these institutions will be financed by research commissions from public-

and private-sector organizations and should directly benefit Jenoptik's various joint ventures and subsidiaries.

In Eisenach, various new automobile-industry ventures are aimed at restoring the city's former reputation as an automobile-producing center. The Bayerische Motorenwerke AG (BMW), which manufactured cars in Eisenach in the 1930s, has now returned to the city. BMW's 100-million-Deutsche-mark (\$63 million) automotive machine-tools facility is just one part of what the city fathers like to call "the new automotive tradition in Eisenach." Another is Robert Bosch, which has founded a subsidiary on Eisenach's northern edge.

But the largest and most important automotive operation here is undoubtedly the major investment

sent one," says Louis Hughes, Opel's 42-year-old chairman, looking back on his company's involvement in the East. "I had negotiations with four different economic ministers in total, between East and West. You had to be flexible. Everything was continually changing—such as the currency. No one knew what costs were going to be. Investment incentives were a big unknown—as were labor costs," he adds.

Investors today find a very different situation: not only is the government stable, but every town in Thuringia now has a zealous economic development agency staffed by well-trained officials who offer detailed brochures showing why their community is a good site for high-tech businesses. Officials in regional Treuhandanstalt offices are ready to explain the many incentives, low-interest loans, infrastructure facilities and employment-support programs available to potential investors.

It is this professionalism and motivation on the part of the public sector that has helped turn around private-sector thinking, according to one well-informed executive, who stresses the psychological element in an investor's decision to enter new markets.

"The most important thing is to let outside investors know that they are dealing with Western-style management," says Lothar Späth, the former prime minister of Baden-Württemberg, who, for the last five months, has been Jenoptik's chairman of the board.

Part of the challenge for corporate planners in the region has been to transform former Kombinate—where everything from the screws to the wires to the user manuals was produced by the organization itself—into businesses that can compete in a free-market environment. One solution has been to turn Kombinate into technology parks in which each former Kombinat is offered as a well-equipped facility for potential investors.

Jena, a community that was once half Kombinat (Carl Zeiss Jena) and half university, is establishing a reputation as a "technology city." All aspects of the city's life are now working together to mutually support each other and help attract investment from outside.

As the decision by Sandoz and



New economic alliances reflect the potential of German unification.

other investors to participate in Jena's development shows, this approach is based on sound precepts: research capabilities can be translated into money, jobs and products; companies come to cities that have an outstanding selection of cultural activities; and cities that could serve as a model for development of Eastern Europe as a whole have special cachet for investors.

One enterprise based in Jena—Carl Zeiss—could serve as a model for the challenges and potential for industry of Germany's unification. For over 40 years, Carl Zeiss Oberkochen of West Germany and Carl Zeiss Jena of East Germany competed around the world for the lead in the markets for microscopes, telescopes, medical equipment, measurement systems and planetariums, and battled in the courts for the right to use the trademark "Zeiss." On Nov. 1 this year, Carl Zeiss Oberkochen took over a majority equity stake in Carl Zeiss Jena, which itself has been radically restructured.

Two years ago, Carl Zeiss Jena was a Kombinat employing 70,000 people; today it has 3,000 employees, a very clearly defined corporate brief—to concentrate on such core areas as optical and astronomical equipment and microscopes—and a new associate, Jenoptik, which is entrusted with the company's nine other production sectors, including industrial and medical laser technologies, semiconductor manufacturing facilities and aerospace equipment.

"We had a Japanese television

team around here for seven weeks, and a one-man crew from Ireland insisted on filming us as well," says Lothar Janiak, spokesman for Carl Zeiss Jena, describing the media attention Zeiss's reorganization has attracted. His explanation: "We're the one East German company foreigners have heard of."

For business analysts, the ongoing transformation of Carl Zeiss Jena poses a classic problem. The former Kombinat had all the advantages—a global reputation, competitive products, a highly skilled work force, relatively modern buildings and equipment and excellent coverage of its markets. But it also had several disadvantages—including a bloated work force and no cost and environmental accounting—typical of the former East German system.

Michael Hiller, a 22-year veteran of international business and a member of Carl Zeiss Oberkochen's executive ranks since 1978, has been helping to revamp Carl Zeiss Jena since July. "We need to realize a turnover of DM120,000 per employee to reach the break-even point," he says, adding: "We are now projecting a turnover of DM200 million for 1992. It could be plus or minus 20 percent to 30 percent of that figure."

Distribution is the crux of the matter. For Eastern Germany's le-

gions of new companies, survival is not a matter of making competitive products. Many companies have had to be shut down even though their computers, clothes and machine tools were competitive in price and quality.

This difficulty led to the decision by Oberkochen and Jena to set up joint distribution systems. In the West, Oberkochen's sales force—29 subsidiaries employing 2,500 persons around the world—will offer a combined range of products, while Jena has retained its marketing personnel in Eastern Europe and the Soviet Union and will cover those markets.

To streamline operations, a sector-by-sector evaluation of each company's products had been made. Some tasks, such as the building of planetariums, will be assigned to Jena, others to Oberkochen. While there has been a transfer of expertise in such areas as information-technology systems and office organization, and while both companies regularly meet to coordinate the manufacturing of new products, each remains an independent business entity.

When Carl Zeiss Jena is in a position to "operate profitably and meet its social obligations," says Mr. Hiller, it will be incorporated into Carl Zeiss-Stiftung.

This advertising section was written by Terry Swartzberg, a free-lance journalist based in Munich.

Support for this advertising section has come from the State of Thuringia as well as from the display advertisers.

A lot of people are responsible for this breakdown. But certainly not our new fellow citizens.

Some people in western Germany believe that the freedom and prosperity they have enjoyed throughout the last decades are the results of unusual moral rectitude and hard work.

And that the mismanagement in the eastern part of Germany (the former German Democratic Republic) and its aftermath were primarily the fault of those who are now our new fellow citizens.

We at Opel are of a quite different opinion.

It is ultimately the task of politicians and industry to create the freedom which enables people to develop their best qualities.

Our new employees in Eisenach, for example, who are already building Vectras at a rate of 10,000 units per year, go about the task just as carefully and with the same sense of responsibility as our skilled workers in the western part of Germany. Product quality is high, just as it

was when we were building cars in Brandenburg in the 1930s.

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The outcome of this entrepreneurial attitude is that Opel, together with affiliated companies, now produces automobiles and components in eleven European countries.

Whether you see its name in Spain, Turkey, Belgium, Austria, Hungary or Portugal—the German Adam Opel AG, with more than 55,000 employees in Germany and a Technical

Due for completion in 1992, our automobile plant in Eisenach will be one of the most modern in the world.

Because we have confidence in our fellow citizens in eastern Germany. Because we want to generate successful business there. Because we know that business can only thrive where investments have been made and where people with good jobs earn good money.



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THE MONEY REPORT

Comics: Entertainment as Investment

By Judith Rebek

WHAT price a Donatello? Picked up any bargain Michelangelo's recently? The market in Renaissance masterpieces may be out of most people's reach, but vintage comic book superheroes of the pre-Mutant Ninja Turtles era are considerably more affordable — and they're set to make a big impact on both the world of collectibles and Wall Street.

Sotheby's, the New York auction house best known for its multimillion dollar sales of master paintings, will hold its first comic book sale ever on Dec. 18. David Rodden, a Sotheby's vice president, estimates conservatively that the entire sale could bring in \$1.5 million. But the publicity being generated by the auction is considerable.

"The response has been fantastic, and what's fascinating is that it goes way beyond collectors. The general public is involved too," says Mr. Rodden. Sotheby's is rushing out 8,000 color catalogues, considerably more than its usual run, which will sell for \$35. Among the 350 items to be sold will be Action Comics No. 1, which launched Superman in 1938, and is expected to fetch \$28,000-\$38,000, and the first Amazing Spider-Man from 1963, with a presale estimate as high as \$9,000. Original artwork for comics will also be on the block: the cover and inside art for the first issue of X-Men, could command up to \$60,000.

It's a far cry for the years when most old comics gathered dust in

garages and attics. "Interest in collecting only began to snowball in the 1970s when vintage comic book stores opened up," says Les Daniels, a comics expert. "Since there was only a limited number, supply and demand has made comics more of an investment than entertainment." Mr. Daniels is the author of "Marvel: Five Fabulous Decades of the World's Greatest Comics," which came out last month and is already in its third printing at the New York publisher Harry N. Abrams.

But while comics collecting is increasingly an investment, the driving force behind the trend is nostalgia for the images of childhood, say experts. "It's the superheroes like Spider-Man, Batman and Superman that we all remember as kids," says Joseph Verneault, owner of Sparkle City, a mail order comics business in Glassboro, New Jersey.

That doesn't exclude horror classics like Tales from the Crypt and The Vault of Horror, or a host of lesser known — or less heroic — characters. "As a writer I love Sub-Mariner," says Mr. Daniels, "because he's an underdog being, half-fish, half-man and sort of has mixed motives." And Mr. Verneault confesses, "Archie is my personal favorite because I read it when I was six." Teenaged Archie usually lurches from one mishap to another with pals Jughead, Betty and Veronica.

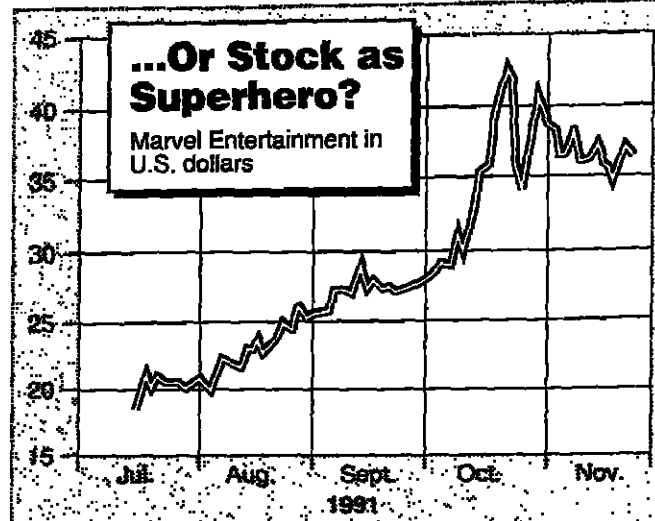
Another attraction of collecting comics is that it doesn't take deep pockets to get started. "Comics costing over \$1,000 are only a small percentage of the business," says Mr. Verneault. "You can buy something nice for only \$100."

Both Mr. Daniels and Mr. Verneault advised novices to "buy what you like" in terms of subject, but to pay strict attention to quality. "A copy of Spider-Man No. 1 can go from \$10,000 in mint condition down to \$400 for a poor quality issue," says Mr. Verneault.

Most collectors check out prices, quality guidelines and listing of vintage comic stores and sales in trade publications like the Overstreet Comic Book Price Guide of Claremont, Tennessee. Indeed, a glance at Overstreet's data reveals why comics have caught the attention of investors: Batman No. 1, which cost 10 cents back in 1940, sold for \$6,500 in 1986 this year. And not all collectibles are vintage: anyone who picked up the first issue of Teenage Mutant Ninja Turtles for \$1.50 in 1984 — and kept it in top condition — will find it is now worth \$325.

Wall Street has jumped on board the comics bandwagon as well. One of the hottest initial public offerings of this year was Marvel Entertainment, which publishes comics like Spider-Man and Conan the Barbarian in 20 languages ranging from Finnish to Hebrew. The company is 60 percent owned by the financier Ronald Perleman, but when 4.8 million of its shares went public at \$16.50 last July, its price skyrocketed to \$41. But subsequent market jitters have pushed the current price to around the mid-30s.

One big reason for the run-up is the huge success of X-Men, a Marvel comic that sold a whopping 8.2 million inaugural copies. Further spurring investor expectations is the recent \$1.5 million sale of movie rights for Spider-Man, plus the



Source: Datastream

International Herald Tribune

promise of lucrative licensing fees for everything from T-shirts to trading cards. Analysts following the company have upped their earnings estimates from \$1.00 to \$1.25 a share for this year.

But for the truly dedicated, Wall Street has little to do with the real significance of comics. Even those who buy a comic book strictly as an

investment may be questionable.

"They encase it in plastic," says Mr. Daniels. "They only open it to examine it, but never again." And that just can't bear the fantasy of rereading, and reliving the thrilling adventures of superheroes like Sub-Mariner, the Human Torch, Captain America, Batman and Superman.

BRIEF CASE

Shearson Sets Investment in Latin American Debts

Latin American debt used to be something economists and bankers worried about. Many cited it as a possible cause of the collapse of the banking system. How times have changed: Shearson Lehman Brothers is now marketing Latin American debt as an investment, which has hitherto "not been a viable option for the individual investor because of the large denomination instruments and the high transaction costs."

The Latin American Bond Fund is designed to achieve income and capital return through investing in a range of "higher quality" dollar-denominated bonds issued in Latin America's public and private sectors.

The fund has a deferred sales charge of 5 percent for investors selling up in the first year. That charge progressively reduces to nothing for investors holding shares for five years.

The minimum investment in the fund, which is registered in the tax-advantaged location of the Netherlands Antilles, is \$25,000. Subsequent investments may be made in installments as small as \$5,000. Income is distributed without levying withholding tax.

The fund's prospectus may be obtained from Shearson Lehman Brothers, One Broadgate, London EC2M 7HA; telephone London (44 71) 601 0011.

Deutsche Bank Combination Produces Konzept 94 Fund

Deutsche Bank has merged two of the most fashionable investment concepts in one with its new Konzept 94 fund.

The Luxembourg arm of Deutsche Bank's mutual fund division is launching a fixed-term fund that guarantees the return of investors' money by the end of December 1994. Apart from offering a guarantee, the fund will also aim to track — or outperform if possible — the DAX index.

The fund will invest in German blue chip stocks, and the managers claim to have developed a "double hedging" strategy through the use of futures and options, which will see the fund benefit from both rises and falls in the market.

According to Deutsche Bank, "only unchanging market levels do not contribute to the fund's performance." If the market rises, the fund follows. If the market falls, the fund "can also show a positive performance."

The fund will be launched on Dec. 3 at an initial price of 100 Deutsche marks per unit, including a three percent initial charge. No new subscriptions will be accepted after Jan. 20, 1992.

Investors are advised to take professional advice before committing funds.

For more information, write DB Investment Management, 2, Boulevard Konrad Adenauer, BP 766, L-2017 Luxembourg, or call Luxembourg (352) 42 101 888.

Olympia Capital Launches Last Tranche of Star Series

Paris-based investment manager Olympia Capital is launching the second and last \$20 million tranche of its Olympia Star Series funds. The Star Series is a "fund of funds" investment.

The fund of funds concept adds an extra layer of investment management. When investors invest, they give their money to a manager who picks a manager who picks stocks. Olympia has selected eight different futures funds, with the idea not just of finding the best managers, but also of spreading risk.

"The best way to make money is not to lose it. If you lose 20 percent on a fund, you have to make a 25 percent gain to get back to where you started," said Marc Landeau, president of Olympia Capital.

Mr. Landeau contends the fund of funds format limits losses when markets fall, and that the new issue will therefore interest risk-averse investors with capital gains to protect.

The minimum investment is \$250,000, with subsequent minimum subscriptions of \$50,000. A sales fee of up to three percent is charged on each subscription.

For more information, write Olympia Capital, 11, Avenue de Friedland, 75008, Paris, or call Paris (33 1) 49 53 90 38.

ADR Market Matures in Line With Globalization

By Lawrence Malkin

GLOBALIZATION is the buzzword for today's investor, and some European buyers have discovered it is quicker and cheaper to take a foreign detour through New York.

Stocks of most of the world's blue chips outside the United States are available via American Depositary Receipts, which at last count by the Securities and Ex-

change Commission represented 838 foreign companies.

All foreign transactions such as dividends, foreign exchange conversions and withholding taxes are handled by local banks for convenience, and to avoid redrafting company balance sheets to meet arduous SEC disclosure rules.

The market has matured to the point where it has its own specialist traders, a brand new newsletter devoted primarily to ADRs, and a discount broker actively soliciting

foreign clients who prefer trading foreign stocks through New York.

Marquette de Bary, American-born descendant of Huguenots who came here at the start of the century, began his discount brokerage in 1962.

"Like most people, I have been very excited by the Europe of 1992, and I wanted to find a way for American investors to participate in European markets," Mr. de Bary said. "I asked my traders, and they told me we could do it right here in

the ADR market. In the last year it has just been exploding."

Like most no-frills discount brokers, the de Bary firm offers no research. But the small, Madison Avenue boutique firm offers personal contact with traders and for the past year, one special thrill for Europeans: toll-free numbers for trans-Atlantic calls from Britain, France, Germany and Switzerland — with more planned as clients spread.

Originally Mr. de Bary expected business mainly from American expatriates, but to his surprise he began receiving increasing numbers of calls from Europeans who find several advantages over trading through European brokers when they want to buy a stock in a country that is not their own.

Trades in ADRs are settled in five days, compared to longer settlement times in most European exchanges and uncertain delays in emerging markets like Mexico, where only financial adventures dare to trade directly. Idle balances at de Bary pay interest, unlike many discount brokers, and stocks incur no custodial fees as they often do in Europe.

U.S. commissions do not carry an additional charge for value added tax, and at discount brokers they are far lower anyway than they are in Europe. For example, de Bary's commission on 400 ADRs of France's Alstom Alcatel, which cost about \$10,000, would be \$171. His commission on the same underlying value of \$10,000 of the stock itself would be \$250, about \$100 less than what the transaction would cost at a full service broker in Paris or New York, although not London where commissions are cheaper.

Citibank, which sponsors this and many other ADRs, converts the annual dividend into dollars and recoups foreign withholding taxes at the rate permitted by bilateral tax treaties without forcing the ADR holder into complex paperwork to obtain the money.

The one disadvantage is that banks charge fees for this and other services such as processing rights issues, and since the charges are all wrapped up in the dividend they pay on each ADR, the precise amount the bank skims for its services is never clear. Citibank will not say, for example, how much French withholding tax actually turns up in the shareholders' dividend check, although it is obviously more than if they never filed that bilingual form in duplicate.

Although ADRs are denominated in dollars, they present no serious foreign currency risk to non-dollar investors because they can be converted into the underlying stock and are constantly being arbitrated against it. George Christopherson, who trades ADRs at Wertheim Schroeder, said the market is often more liquid here through ADRs than in a stock's home country.

1992

The World's Rendezvous with Europe

The IHT is now inviting concerned international companies to sponsor its highly-regarded 1992 series, which will begin its 5th year in 1992 with seven new sections.

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For more information about participating as a sponsor for this widely-read series, please call Juanita Caspari in Paris at (33-1) 46 37 93 76, or call your local IHT representative.

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THE MONEY REPORT

Providing Calipers
For Private Bankers

By William Ellington

ATHLETES and pension fund managers have had to work harder to improve their rankings because computer programs can measure their performance with an almost endless series of percentages and ratios. Now it looks like computerized calipers will be put around private bankers, who handle the financial affairs of the wealthy.

A private banker is basically a portfolio manager with a knowl-

PRIVATE
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edge of various markets and instruments and no particular vested interest in promoting one or the other.

Part of the private banker's skill lies in tailoring a portfolio to the needs of the client and settling long-term goals rather than providing trading recommendations, which brokers often churn out.

Information about how well private bankers perform for their clients has been hard to come by because of the confidential nature of private banking.

However, Allenbridge Group PLC, a London-based consultancy firm, has come close to cracking the performance measurement problem by offering potential clients introductions to several private bankers and then monitoring the performance of the portfolio.

Anthony Yagdorff, Allen-

clients get a reasonable view of the style and performance of private bankers, including all the fees they charge.

"I intend to become for private bankers what WM Company and Frank Russell (pensions fund consultants) are for the pension fund industry," Mr. Yagdorff said.

Mr. Yagdorff got his start in collecting data on the arcane world of private banking by offering introductions. This involves an initial discussion of what a potential client's requirements are and identification of five private bankers that might be suitable.

Then Mr. Yagdorff provides a day-long tour in his chauffeur-driven Rolls-Royce of the private banking houses in London with a break for lunch in the financial district.

A potential client is under no obligation to select one of the private bankers. If he does, Mr. Yagdorff collects a fee from the banker, rather than the client.

Mr. Yagdorff, whose background lies in tax consultancy, advice for self-administered pension funds and venture capital operations, says clients typically come to him because of a one-time event, such as an inheritance, the sale of the family business or the same of the family home for a retirement accommodation. Previously, they



Anthony Yagdorff is on a Rolls-Royce safari for private bankers

that might consist of a pension, some shares or mutual funds and deposits. It is then that the services of a private banker would be needed.

Among the advice that Mr. Yagdorff gives is an idea of the cre-

mance of the money manager for free for at least five years once a private banker has been selected. He does this by receiving the same quarterly financial statements that the clients get.

Although Mr. Yagdorff's capacity for making introductions ranges around 30 potential clients a year, he says he is now monitoring around 200 client portfolios and is reaching the point where he can make fairly accurate judgments of how well private bankers perform.

Among other things, he says his statistics show that a client is usually better off with a private banker than stockbrokers, for whom he has also started to collect data.

For more information, call Allenbridge Group PLC, 16 Bolton Street, London W1V 7PA, or call London (44 71) 409 1111.

Information about how well private bankers perform for their clients has been hard to come by because of the confidential nature of private banking.

probably would have had little need for a private banker.

In such circumstances, a lump sum of money becomes available, perhaps £500,000 (\$900,000) or more in addition to normal savings

desirability of the private banker. "I would never recommend anyone that has less than £500 million under management."

As long as a client agrees, Mr. Yagdorff will monitor the perfor-

Big Banks Turn to Managing Wealth

By Rupert Bruce

HAVING got their fingers burnt at almost everything else recently, the world's big banks are paying more attention than ever to looking after wealthy people's money.

PRIVATE
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REPORT

Traditional private banking services like trust management, tax advice, deposit taking and lending are being combined with investment services. It is quite usual for a private bank to deal in futures and options and an international range of securities and investment management products.

"Every banker I talk to says that private banking is an area of attention," said Rod Barrett, a banking analyst at Goldman Sachs International in London.

Bankers are rediscovering the values of long-term client relationships that do not require much capital. Because private banking is based on good relationships and generally paid for with a regular fee, it offers a reliable, growing income and little risk.

Ben Lorenz, managing director of Merrill Lynch International Bank, said: "A study several years ago in the U.S. showed that the average trust account was around for 15

years. Now that is a hell of a client relationship."

There is certainly more wealth around for banks to manage after a decade of almost uninterrupted growth in the 1980s. Merrill Lynch has estimated there are about two million people with more than \$250,000 invested offshore. Within this there is an elite of about 700,000 with more than \$1 million.

The upshot is that more and more banks are competing with the original private banks, the Swiss banks. And even the Swiss, who have traditionally relied on discretion, their AAA credit ratings and a solid gold reputation to win their business — are offering sophistication in investment services.

At Swiss Bank Corporation, Switzerland's second largest bank, deposits have actually fallen over the last two years, and it has increasingly concentrated on investment business. In the autumn of 1990, for example, the bank linked up with O'Connor, the Chicago futures broker, and now offers customers a range of standardized or customized futures and options products.

The investment services offered are becoming increasingly international, according to Robert Law, a banking analyst at Lehman Brothers International Inc. in London.

"There is an increasing wish among people to look across borders to increase their returns... It has become more normal for people to expect a completely international service now than it was five years ago," he said.

Suppliers of stocks and bonds have also

become more willing to look overseas for funds. Regulations, tax laws and other barriers to cross-border investment have come down. The next stockmarket to open will be Korea's on Jan. 3, 1992.

At Union Bank of Switzerland, Alan Saunders, formerly investment director at Lazard Brothers, has just been hired as a vice-president to beef up and raise the profile of international asset management within the private banking business in London.

In 1990, the British bank, Barclays, bought two banks on the European mainland largely for their strong private banking arms. Barclays paid 1.5 billion French francs for L'Europeenne de Banque. The German Merck, Finck & Co. was acquired for an undisclosed amount.

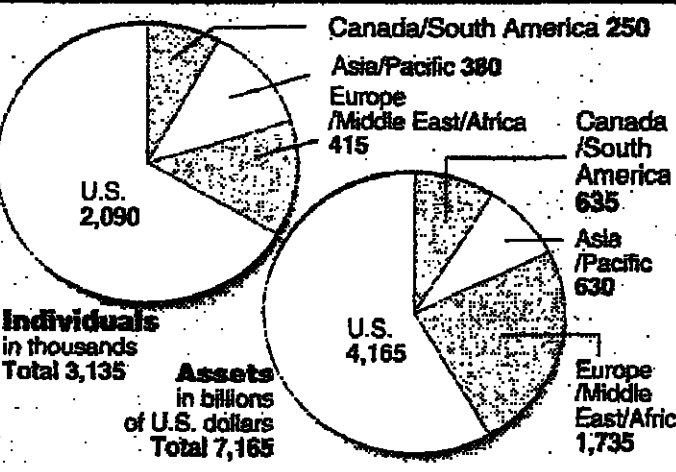
Logically, an increasing supply of private banking services and a drive for market share should mean that fees come down, and with them the minimum wealth required to qualify for private banking services.

Some players put the new minimum at \$500,000, down from the previous consensus estimate of a \$1 million threshold. Others are not at all sure this will happen.

Urs Eberhardt, an executive director of private banking at Swiss Bank Corporation in London, said: "There is always the possibility that certain newcomers might want to compete on price."

"However, I would think that because of the nature of the business, the quality of service and the quality of products will, at the end of the day, still decide who is successful."

Private Banking: A World Picture



Source: Citibank

Swiss Gear Up for '92

The changes - agreements discontinued or amended	Date effective
Big bank syndicates for public agency issues	end 1989
General rules of business	mid 1990
Exchange card terms and conditions	mid 1990
Notional acceptance of local agreements	end 1990
Brokerage commissions	end 1990
Big bank syndicates for foreign issues	end 1990
Fees on documentary credits	end 1990
Foreign exchange fees	end 1990
Value date and charges on money transfers	end 1991
Savings deposit interest rate premiums	end 1991
Time deposit premiums	end 1991
Collection commissions on money transfers	end 1992
Custody account charges	end 1992

* Contested by Swiss Bankers' Association
+ Appealed to Federal Court
Source: UBS

Toward '92, With Apprehension

By Susana Antunes

THE private banking industry is looking toward Europe and 1992 with interest but also with apprehension. The creation of one unified market for financial services may present opportunities to expand their customer bases, but there is a fear that any erosion of secrecy laws or tax advantages will induce a flight of capital from EC private banking centers to those outside the community that are able to offer the relevant secrecy and fiscal environment.

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So far, it is largely a matter of conjecture. Luxembourg is already in the EC and it has managed to maintain its fiscal and secrecy advantages, as have the Channel Islands.

But the task of harmonizing the fiscal regime and introducing free exchange of information between the authorities in each of the member states has barely begun.

And the question of Switzerland's future looms large. As the world's leading private banking center, with an estimated 40 percent of the international market, its decision on whether to press ahead with joining the EC, and the EC's subsequent attitude to Switzerland's secrecy laws could have a profound influence on the future of private banking.

Recent events in Germany provide a small clue to what could happen. The authorities there introduced a withholding tax, sparking a rush of capital to "offshore" centers that was sufficiently serious to force the government to review the tax in the past few weeks.

One European banker said, "Once we get a free community within member states, I imagine there will be a lot of individuals who will want to move their assets out of the community otherwise they risk getting

trapped in a tax net. If Switzerland protects its fiscal and secrecy attractions when and if it joins the EC, we could well see its popularity increase, but if it joins as a full member, we could see the opposite effect."

Few private bankers will publicly admit that some of their clients are driven by the desire to avoid tax, although virtually all privately accept that this is sometimes the case. Instead, they prefer to point to the security or safety attractions of private banking and the desire of their clients to preserve their assets.

But the ability of private banks to prepare for 1992 is hampered by the cloud of uncertainty shrouding the future shape of the community. Alan Hogg, the head of international private banking at Barclays said, "You're trying to plan a strategy on the basis of best market information. At this stage it's a case of taking a pragmatic view of how things will develop and producing best advice on that basis."

There are ways for private banks to protect their clients' desire for discretion, such as using fiduciary or nominee accounts. The simplest way though is to shift some or all of their operations offshore. Indeed many already have sufficient flexibility in terms of branch networks to serve their clients from offshore.

The banking world draws a distinction between international and domestic private banking. International private bankers tend to cater for nondomiciled clients. It is principally the EC nationals among them who are expected to move their assets out of the Community should the regime become less attractive to them.

But domestic banking has traditionally operated on a country by country basis and the potential impact of 1992 on that area inspires opposing views. Mr. Hogg believes that domestic private banking will see far greater competition after 1992 and indeed some private bankers are already seeking to identify opportunities for growth within the Community. They point to emerging economies such

as Spain and Greece, and the new unified Germany where a lot of new wealth is being created.

Ian Woodhouse, a private banking consultant with accountancy Price Waterhouse, on the other hand, feels 1992 will have only a limited impact on domestic banking. "Domestic private banks already have a strong position with their customer base, which will make competition from other EC countries difficult. On the international side there may be some changes in EC customer use of offshore centers within the EC, leading to more of a switch to non-EC centers."

Global investments and the ability of private banks to service that is likely to become more of an issue. The tendency in Europe has been for individuals to be domestically oriented, with their investments weighted to the domestic market.

But already there is evidence of a growing desire for a spread of assets on an international basis. And the industry, traditionally a fragmented one, is now seeing a period of consolidation and rationalization, as the smaller groups seek to achieve critical mass.

Mr. Hogg thinks the creation of the single market will see that trend intensifying, as internal barriers break down, investment houses become more sophisticated and more stock markets improve their reliability.

But some private bankers believe 1992 will prove largely irrelevant to their business. Citibank, for example, in 1988 moved from two European centers in London and Switzerland to seven separate locations. The intention was to get closer to clients, yet still offer an international product set.

Eric Daniels, the head of Citibank's European private banking arm, thinks the run-up to 1992 has been significant in so far as there has been a relaxation of rules across the board, enabling individuals to invest internationally.

"It's still frustrating that the regulations are not uniform, for country restrictions still exist, but there is a trend toward more relaxation," he said.

The Private Banker and the Personalized Touch

By Martin Baker

IF the private banking industry is steeped in the tradition of personal, customized service, it is positively marinated in secrecy. And private bankers are never more discreet than when asked about those personalized touches that come as part of their services.

PRIVATE
BANKING
REPORT

On the one hand, many mainstream banks have moved into the private banking arena by offering top of the range financial products such as instant mortgages, debt management services, asset allocation advice, and property management.

Others have stuck to the more traditional role of what can often be quite conservative asset management policies, and the policy of catering for the client's every need. In some cases this can extend to almost absurd lengths.

Some banks apparently offer a service that extends down to ensuring that the lawn on a client's country houses are well maintained. Along with trimming the hedges of the Tuscan villa, private bankers can and do arrange parties for their clients.

"Why not? The smaller banks without the global branch network can't really compete in terms of the products they can provide, or the instant back-up which a large organization can offer. So if they can't provide the breadth, they go for the depth, catering for every need," said a New York-based private banker for a large, multinational bank.

"There's a logic to it," said one industry observer. "The client likes a professionally organized event,

and the suppliers have the extra confidence that they will be paid, because they're dealing direct with the paying agent."

The range of services that have been offered apparently extend

from organizing children's birthday parties, through ticketing and financial arrangements for round the world trips, right down to checking on the care and attention lavished on a client's pet dogs.

"Basically, a banker will provide a service because by providing a service he can charge a commission. That's how money is made," said one banker who, like his colleagues, insisted on anonymity.

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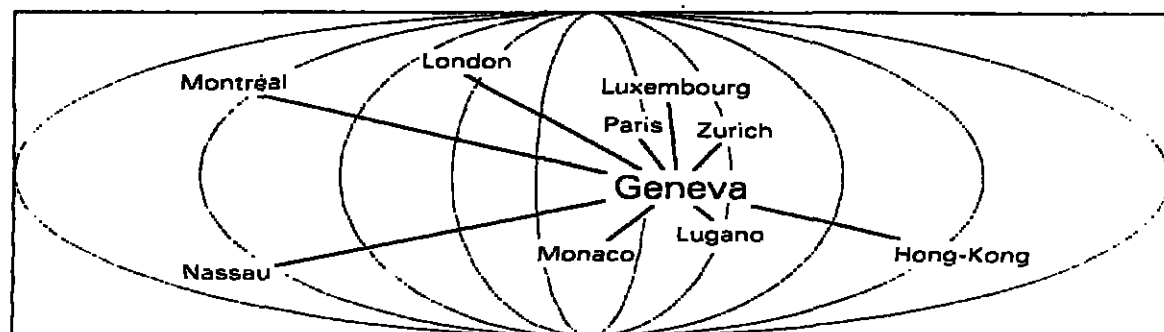
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INTERNATIONAL PRIVATE BANKING

SPORTS

Cowboys Near Wild-Card Goal

Bauerlein, Aikman's Backup, Keys Victory Over Steelers

The Associated Press
IRVING, Texas — The Dallas Cowboys curled up and died after Troy Aikman was injured last year. This season, they are flourishing without their starter and making a wild-card playoff run thanks to a quarterback Al Davis did not want.

Steve Bauerlein, who started 15 games for Davis's Los Angeles Raiders and was 8-7, paid another dividend on the quarterback insurance policy of the Dallas coach, Jimmy Johnson.

Bauerlein, obtained in August for a 1992 fourth-round draft pick, hit Michael Irvin with a 66-yard touchdown pass that keyed the Cowboys' 20-10 victory Thursday over the Pittsburgh Steelers.

The Cowboys wilted last year when Aikman was injured and backup Babe Laufenberg couldn't produce victories in the final two games. Those losses cost Dallas its first playoff berth since 1985.

Johnson cut Laufenberg in training camp and traded for Bauerlein. "Bauerlein did just a great job filling in," Johnson said. "He executed the game plan, didn't make

any turnovers, then hit the big play."

Aikman sustained a knee injury against Washington last week that will keep him out at least three weeks. Bauerlein came into that game and threw a touchdown pass to Irvin in a 24-21 victory.

The Cowboys (8-5) are in a favorable position in the wild-card race. The Steelers (5-8) were virtually eliminated from contention in the AFC.

Irvin caught eight passes for 157 yards. Bauerlein hit 14 of 25 passes for 217 yards.

Bauerlein, making his first NFL start in two years, found Irvin cutting across the middle with 7:22 remaining. Safety Gary Jones missed and then Irvin shook off cornerback Rod Woodson at the Steelers' 15-yard line to score standing up.

The Steelers trailed 10-0 at halftime but came back on Gary Anderson's 42-yard field goal and a 3-yard scoring run by Warren Williams with 7:54 to play.

In an earlier game, a report of

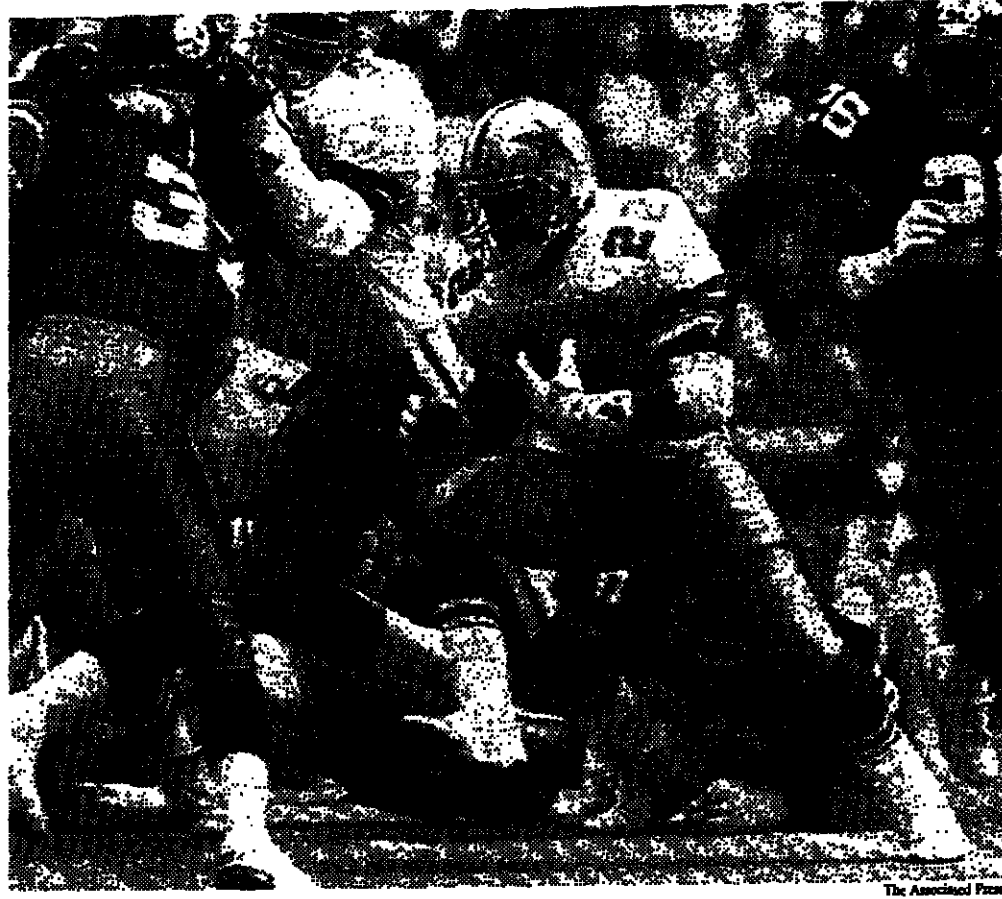
which appeared in some editions of Friday's International Herald Tribune, The Washington Post reported from Pontiac, Michigan:

Usually at this time of year the Detroit Lions are at the bottom of the division standings. But Thursday, before a record 78,879 screaming people at the Pontiac Silverdome, the Lions tied the Bears for first place in the NFC Central by beating Chicago, 16-6.

The Lions (9-4) are calling this victory one of the biggest in franchise history. Detroit has not had a winning season since 1983. Now, the Lions not only are almost assured of making the playoffs, but they also have a decent shot at winning the division.

Thirteen of the Lions' 16 points came from Chicago turnovers. And despite crossing the Lions' 20-yard line four times, the Bears came away with only two field goals by Kevin Butler.

A 21-yard field goal by the Lions kicker, Eddie Murray, and a nine-yard touchdown catch by Robert Clark made it 10-6 at the half.



The Cowboys' Emmitt Smith bursting out for an eight-yard gain in the 20-10 triumph over Pittsburgh.

Penn State Intercepts Pitt's Airborne Game

The Associated Press
The Pitt-Penn State series is scheduled to end next year, when Penn State joins the Big 10. If Alex Van Pelt is still quarterbacking Pitt, it may not.

Given two and a half weeks to prepare for its biggest game of the

COLLEGE FOOTBALL

season, Pitt decided it had one chance to upset the No. 6 Nittany Lions: Throw the ball. And throw it some more.

Van Pelt did just that Thursday, throwing 64 passes in a game that lasted nearly four hours. The trouble for Pitt was that Penn State quarterback Tony Sacca threw 37 fewer times and was just as effective — and that Van Pelt kept throwing to the guys in the white uniforms.

Sacca threw for one touchdown and set up two Rich Anderson scoring runs with his passing as Penn State used five turnovers to beat Pitt, 32-20, in Pittsburgh, its third consecutive victory in the 93-game series.

"I've always enjoyed playing at Pitt Stadium," Penn State coach Joe Paterno said. "I'm just glad to get out of here with the win. I don't think I'll coach another one out here unless a miracle occurs."

Considering his 9-1-1 record there, it is no wonder Paterno enjoys coaching at Pitt Stadium. He's also 19-6-1 overall against the Panthers, numbers that should have him rethinking his decision to drop Pitt after next season.

Van Pelt joined Dan Marino as the only 8,000-yard passer in Pitt history by completing 27 of his 64 passes for 324 yards and two touchdowns, including a 73-yard touchdown pass play to Detrich Jells early in the third period.

No. 10 Texas A&M 31, Texas 14; In College Station, Texas, Texas A&M's Kevin Smith returned a punt 73 yards in the third period to break open a fierce defensive duel.

The Aggies, who clinched the SWC title with a 65-6 victory a week earlier against Southern Methodist, will play No. 3 Florida State in Cotton Bowl on New Year's Day.

In CFL, Ismail And Flutie Top All-Star Squad

United Press International

TORONTO — Raghib (Rocket) Ismail and Doug Flutie, two former U.S. college stars, have been named to the Canadian Football League All-Star team.

Ismail, the rookie sensation from Notre Dame, was among eight players from the Grey Cup-winning Toronto Argonauts on the All-Star team announced Thursday.

Flutie, British Columbia's quarterback, was voted the CFL's Most Valuable Player. While at Boston College, Flutie won the 1984 Heisman Trophy.

Joining Ismail from Toronto to guard Dan Ferrone, defensive tackle Harold Hallman, defensive end Mike Campbell, linebacker Darryl Ford, defensive halfback Don Wilson, punter Hank Ilesic and kicker Lance Chonyc.

After Last Week's Loss, Redskins Looking to Regroup Against Rams

New York Times Service
REDSKINS (11-1) AT RAMS (3-9)
Key stat: Redskins' rushing attack averaged 140.2 yards a game before managing only 50 in the loss last week to Dallas.

Comment: Coach Joe Gibbs should not hesitate substituting Ricky Ervins for Earnest Byner. Against Dallas, Byner looked slow, tired and still hurt. Ervins is fast, energetic and healthy. If Gibbs made this change earlier last week, his team might still be undefeated. The Rams' collapse is so deep and so brutal that Washington should find gaping holes everywhere in a matchup of exploitation, as Redskins' coaches look to regroup as much as the players. The Redskins are favored by 9½ points.

CHIEFS (7-5) AT SEAHAWKS (6-6)
Key stat: Christian Okoye fumbled twice inside Cleveland's 5-yard line in Kansas City's 20-15 loss to the Browns.

Comment: After leading the AFC in turnover differential for most of the season, the Chiefs have failed miserably in recent weeks and have slipped to third. The Chiefs' 11 interceptions suffered on offense are as many as Indianapolis has. This pivotal game for both teams is decided entirely on turnovers and talent. Kansas City wins the second category. It wins the game by improving in the first. Seahawks by 1½.

KEYS (7-5) AT BILLS (10-2)
Key stat: Buffalo's defense, still ailing without the injured All-Pro end Bruce Smith, allowed the

Patriots inside Bills territory on all seven of their first-half possessions last week.

Comment: Buffalo's 16-13 loss at New England snapped a six-game winning streak and showed the Bills how vulnerable they can be when their no-huddle scheme does not explode. The Jets move the ball against this sagging defense but the Bills' offense returns to form, moving faster, quicker and for more points. Bills by 8½.

BROWNS (5-7) AT COLTS (11-1)
Key stat: Indianapolis has suffered 41 sacks for minus-341 yards; Cleveland 26 for minus-162 yards.

Comment: The Browns' second-year running back, Leroy Hood, said that in his rookie season he arrived late to meetings and once there often slept. Last Sunday, he lured Kansas City to sleep with a 71-yard scoring catch and a 32-yard run, his career longest and three times longer than any other Browns run this season. It seems an eternity since Eric Dickerson, the Colt running back, completed those types of numbers. Dickerson is back after a three-game suspension. Browns by 5.

PACKERS (3-9) AT FALCONS (7-5)
Key stat: Packers' 164 rushing yards against the Colts marked their first 100-yard rushing effort in their last 16 games.

Comment: Atlanta, as if it needs its ego stroked, is walking tall after toppling New Orleans. Atlanta will stuff Green Bay's one-game ground success, and the Packers' secondary has little chance of

keeping pace with the Falcons' fleet receivers. Atlanta won't piddle with the Packers. In the Falcons' playoff chase, next they are at the Rams, home against Seattle and at Dallas. Atlanta is 4-2 at home, 3-3 on the road. Falcons by 8.

BUCCANEERS (2-10) AT DOLPHINS (6-6)
Key stat: Dolphins have won three of their last four but defense has only six fumble recoveries, offense has lost 12 fumbles.

Comment: Tampa Bay regrouped and gave the Giants trouble last Sunday, but here they fall apart

and the Dolphins surge. Miami believes it is a playoff team; the victory in Chicago establishes the Dolphins as a more serious threat. Miami's strength is its pass offense (7.07 yards per catch) and pass defense (ranked sixth in the AFC). Miami makes sure in this affair that the ball stays in the air. Dolphins by 9.

GIANTS (7-5) AT BENGALS (1-11)
Key stat: Bengals' defense, the worst in the AFC, has allowed 19 rushing touchdowns compared with New England's three allowed.

Comment: Cincinnati is soft in the middle on defense, and that is where the Giants love to run. The problem is, that is also sometimes where they hide. The Giants persist on an inside fire, then outside attack, and the Bengals will accommodate. Phil Simms, after a full week of first-team prac-

tices, finds the Bengals' defense only a step above practice level as New York wins four straight with Philadelphia, at Washington and Houston remaining. Giants by 7.

PATRIOTS (4-8) AT BRONCOS (8-4)
Key stat: New England ranks fifth against the run in the AFC and is the only Buffalo opponent besides Kansas City that limited Bills to fewer than 14 points.

Comment: Denver struggled offensively against New England on Oct. 27 in a 9-6 Bronco victory. In that game, the Patriot quarterback, Hugh Miller, scrambled short of the Broncos' goal line with no timeouts remaining. The clock ran out on the Patriots in that loss but not on Miller, who shined in his team's upset of Buffalo. Denver, 5-1 at home, wins because it uses its home-field advantage and must to keep pace with the Raiders. Broncos by 7½.

SAINTS (9-3) AT 49ERS (6-6)
Key stat: The 49er quarterback, Steve Bono, enters fresh from a career-best 306 passing yards against the Rams.

Comment: The New Orleans offense has slunk for several weeks, and now the Saints' dynamic defensive players are beginning to speak out. "We can't do it all," they tell Coach Jim Mora. "Attack!" The problems remain the same for the Saints: an unhealthy Bobby Hebert, a shaky Steve Walsh and an out-dated, puncheon offensive scheme. The Saints' defense is good enough to handle the 49ers' offense, but the San Francisco

NFL MATCHUPS

BOOKS

HOW DID I GET HERE SO FAST?

By Chalmers M. Roberts. 160 pages. \$14.95. Warner Books, 666 Fifth Avenue, New York, N.Y. 10103.

Reviewed by Webster Schott

WHILE we have documents on the various ages of man dating back to 500 B.C., it's the Talmud that explains people like octogenarian Chalmers Roberts. At the age of 80, according to the Talmud, men and women acquire the power of Gevurah — the new strength of advanced age.

Roberts, a former reporter and chief diplomatic correspondent of The Washington Post, has used his newly found Gevurah to write a delightful little book about the autumn of life and the continuing spring of the mind. He says it's "about growing older, and how to sandwich in some real life between medical appointments . . . it's a feel-good, or at least a feel-better, book."

Works like this resist category. At their heart lies the author's character. Some are exercises in narcissism. Many spin memories into yarns and anecdotes into morality tales. Some assail us with advice. The best transmit that which only age seems capable of conferring — wisdom.

There's some of all of this in "How Did I Get Here So Fast?" But it's delivered with such guileless charm and plain

prose that we don't mind Roberts' self-indulgences. If he wants to probe his Welsh ancestry and how "a most peculiar first name" got his telephone calls returned, or how his "mystic chords of memory" (a phrase borrowed from Abraham Lincoln) take him to an "enigmatic" George Washington or Thomas Jefferson's "masterpiece" or Mathew Brady's lost photographic plates, why not? Reporter Roberts is reporting on his life. Besides, straight-talkers like him are hard to find.

Pondering the effects of chance on our lives, Roberts finds examples from his career. Thirteen days before his retirement from the Post — after 38 years in journalism — it fell to him to write the Post's front-page story on the Pentagon Papers. Immediately he and the newspaper's management were threatened with jail through a prior-restraint suit filed by Richard Nixon's Justice Department. The U.S. Supreme Court dismissal came the day he retired, June 30, 1971.

But mostly this is a book about his attitude toward life at 80 and his strategies for extracting its pleasures despite flaccid muscles and rheumatic joints.

"Old age ain't for sissies," Roberts quotes from one of F.D.R.'s cronies, and his book confirms it. "Routine," he says, "is the only answer to quirks of aging: put the grocery tab in the wallet until you get home, tear out the ad for the movie . . . lay out tomorrow's pills before you go to bed tonight."

Aging well "means keeping your heart pumping, your noodle active, and your mood cheery." A constant supply of new information charges the brain. "Read something that challenges the conventional wisdom," he writes. "Go see these movies the young describe as awesome."

While at 79 Roberts "quit taking a running plunge into the pool in favor of a safer drive from the edge," he still prefers "skinny dipping whenever possible." He notices sex at 80 isn't what it was at 30 — "a different sense of timing . . . a different mode of agony and ecstasy." But sexual pleasure "includes a lot more than orgasms."

Roberts has heroes — Emerson, Churchill, Henry Fairlie and J.B.S. Haldane, the British biologist, who supports his belief that "the world is queerer than we can imagine." But his constant mentors are Justice Oliver Wendell Holmes and Abraham Lincoln. They're in nearly every chapter, strengthening Roberts against intimidation by age or anything else.

The same Latin poet who spoke to Holmes whispers his message to Chalmers Roberts: "Death plucks my ear and says, Live — I am coming." Because the world's "so damned exciting," Roberts plans to stay at least until the year 2000. My copy of this book goes straight to my 84-year-old mother. It won't unravel Medicare. It may lower her blood pressure.

Webster Schott, a journalist and retired businessman, wrote this for The Washington Post.

BRIDGE

By Alan Truscott

THERE was something highly unusual, perhaps even unique, about the diagrammed deal. The reader who can spot uniqueness, after following the details of the bidding and play, will also be highly unusual.

The occasion was the semifinal of the Venice Trophy contest at the NEC World Team Championships in Yokohama, Japan. Sitting South was Stasha Cohen, of Glen Ridge, New Jersey, who reached three no-trump after her partner had opened with a weak two bid.

West led the spade queen, which was allowed to win, and the spade ten was led. South won with the king, led the diamond jack and allowed the queen to win in the hope of an even split in the suit.

West now shifted to the heart deuce, a dubious choice, and the jack won in dummy. A club finesse lost to the queen, and West led the diamond ace; when this suit did not split, she took another club finesse. She then took the club ace and a heart winner before exiting with her last heart.

West had to win and lead from the jack-six of spades into South's ace-eight at the finish.

It was a well-timed endplay to make the contract, but what was so unusual? Answer: West began with four queens and took all four defensive tricks with them.

NORTH(D)			
♠ 9	♥ 7	♦ 5	♣ A 10 8 5 4 3
♠ 7 5	♥ 6	♦ 4	♣ 7 5 4
WEST			
♠ Q J 10 6 2	♥ 10 9 3	♦ 8 7 2	♣ 9 8 7
♠ 8 7 2	♥ 8 6 5	♦ 6 5	♣ 6 5 4
SOUTH			
♠ A K 8 4	♥ A K 6 4	♦ J 2	♣ A J 10
♠ 3	♥ 3	♦ 3	♣ 3

North and South were vulnerable
The bidding:
North: 2 ♠, 3 ♠, 3 N.T.
East: Pass
South: 3 N.T.
West: Pass

West led the spade queen.

PEANUTS



BEETLE BAILEY



CALVIN AND HOBBES



WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

